

CLEAR LAKE CITY WATER AUTHORITY

PRELIMINARY OFFICIAL STATEMENT

DATED: NOVEMBER 14, 2024

\$36,730,000

WATERWORKS AND SEWER SYSTEM COMBINATION

UNLIMITED TAX AND REVENUE BONDS

SERIES 2025

BIDS TO BE SUBMITTED BY: 1:00 P.M., CENTRAL TIME

THURSDAY, DECEMBER 12, 2024



Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 14, 2024

This Preliminary Official Statement is subject to completion and amendment as provided in the Official Notice of Sale and is intended for the solicitation of initial bids to purchase the Bonds (herein defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE “LEGAL MATTERS” AND “TAX EXEMPTION” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Authority has NOT designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX EXEMPTION – NOT Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book Entry Only

Moody’s Investors Service, Inc.....“Aa3”

\$36,730,000

CLEAR LAKE CITY WATER AUTHORITY

(A political subdivision of the State of Texas, located primarily within Harris County, Texas)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2025

Dated Date: January 1, 2025

Interest accrues from: Date of Delivery

Due: March 1, as shown on the inside cover

The \$36,730,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2025 (the “Bonds”), are obligations of Clear Lake City Water Authority (the “Authority”) and are not obligations of the State of Texas (“Texas”); Harris County, Texas; Houston County, Texas; the Cities of Houston, Pasadena, La Porte, Taylor Lake Village and Webster, Texas; or any entity other than the Authority. Neither the faith and credit nor the taxing power of Texas; Harris County, Texas; Houston County, Texas; the Cities of Houston, Pasadena, La Porte, Taylor Lake Village and Webster, Texas; nor any entity other than the Authority is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing ownership of the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”), or any successor Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Principal of the Bonds is payable to the registered owners of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery, which is expected to be on January 14, 2025 (the “Date of Delivery”), and is payable March 1, 2025, and each September 1 and March 1 thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the fifteenth calendar day of the month next preceding each interest payment date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS” on inside cover.

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the Authority, and will further be payable from and secured by a pledge of the net revenues, if any, of the Authority’s waterworks and sanitary sewer facilities. The Authority’s waterworks and sanitary sewer facilities are not expected to produce sufficient net revenues to make any significant contributions to future debt service payments.

The Bonds are offered, when, as and if issued by the Authority and accepted by the initial purchaser of the Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about January 14, 2025.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2026	\$870,000	—	—	—	2039 (c)	\$1,470,000	—	—	—
2027	910,000	—	—	—	2040 (c)	1,525,000	—	—	—
2028	945,000	—	—	—	2041 (c)	1,590,000	—	—	—
2029	985,000	—	—	—	2042 (c)	1,655,000	—	—	—
2030	1,025,000	—	—	—	2043 (c)	1,720,000	—	—	—
2031	1,065,000	—	—	—	2044 (c)	1,790,000	—	—	—
2032 (c)	1,110,000	—	—	—	2045 (c)	1,865,000	—	—	—
2033 (c)	1,155,000	—	—	—	2046 (c)	1,940,000	—	—	—
2034 (c)	1,200,000	—	—	—	2047 (c)	2,020,000	—	—	—
2035 (c)	1,250,000	—	—	—	2048 (c)	2,105,000	—	—	—
2036 (c)	1,300,000	—	—	—	2049 (c)	2,190,000	—	—	—
2037 (c)	1,355,000	—	—	—	2050 (c)	2,280,000	—	—	—
2038 (c)	1,410,000	—	—	—					

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on March 1, 2032, and thereafter shall be subject to redemption and payment at the option of the Authority, in whole, or from time to time in part, on March 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption."

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with United States Securities and Exchange Commission (the “SEC”) Rule 15c2-12 of the Securities Exchange Act (the “Rule”), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Authority with respect to the Bonds that has been deemed “final” by the Authority as of its date except for the omission of no more than information permitted by the Rule.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a “final official statement” of the Authority with respect to the Bonds, as such term is defined in the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority.

This Official Statement does not constitute, and is not authorized by the Authority for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert W. Baird & Co. Incorporated, 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056, financial advisor to the Authority.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. However, the Authority has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Authority and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in “SOURCES OF INFORMATION – Updating of Official Statement.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the Authority has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on inside cover page of this Official Statement at a price of _____% of par, resulting in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

No assurance can be given that any trading market will be developed for the Bonds after their sale by the Authority to the Initial Purchaser. The Authority has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

MUNICIPAL BOND INSURANCE

The Authority has made applications for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer and fees charged by any rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser.

RATING

Moody's assigned an underlying rating of "Aa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The Authority is not aware of any rating assigned to the Bonds other than the rating of Moody's.

OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The Issuer Clear Lake City Water Authority (the “Authority”), a political subdivision of the State of Texas (“Texas”), is located almost entirely within Harris County, Texas, in the Clear Lake area, approximately 20 miles southeast of central business district of the City of Houston, Texas, and contains approximately 15,650 acres. The Authority lies within the city limits or the extraterritorial jurisdiction of the cities of Houston, Pasadena, La Porte, Taylor Lake Village, and Webster, Texas. In addition, a small tract of land within the Authority is located in Houston County, Texas. See “THE AUTHORITY.”

- The Issue The Authority is issuing \$36,730,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2025 (the “Bonds”). Interest accrues from the initial date of delivery, which is expected to be on January 14, 2025 (the “Date of Delivery”), and is payable March 1, 2025, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds mature in each of the years and in the principal amounts as set forth on the inside cover page hereof. See “THE BONDS.”

- Redemption..... The Bonds that mature on or after March 1, 2032, are subject to redemption prior to maturity at the option of the Authority, in whole or from time to time in part, on March 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption.”

- Authority for Issuance..... The Bonds are issued by the Authority pursuant to the terms and conditions of an order approved by the Board of Directors of the Authority authorizing the issuance of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly, Chapter 9029 of the Texas Special District Local Laws Code and Chapters 49 and 51 of the Texas Water Code, as amended; an election held within the Authority on May 7, 2022; and an order issued by the Texas Commission on Environmental Quality (the “TCEQ”).

- Source of Payment Principal of and interest on the Bonds are payable from a combination of the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Authority and from a pledge of net revenues of the Authority’s waterworks and sanitary sewer facilities (the “Net Revenues”), if any, derived from operation of the waterworks and sanitary sewer facilities. It is not expected that the Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents and users in the Authority. See “THE BONDS – Source of Payment.”

- Payment Record..... The Authority has not defaulted on the timely payment of principal and interest on its bonded indebtedness.

Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) to pay for improvements to the Authority’s water supply, wastewater, and drainage systems; contingencies; and engineering fees as set out herein under “THE BONDS – Use and Distribution of Bond Proceeds” and (ii) to pay the costs incurred in connection with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds” for further information.
Outstanding Bonds	The Authority has previously issued forty-two (42) series of waterworks and sewer system combination unlimited tax and revenue bonds, seventeen (17) series of waterworks and sewer system combination unlimited tax and revenue refunding bonds, and one (1) series of subordinate lien revenue bonds. Of the Authority’s previously issued bonds, as of November 1, 2024, \$131,245,000 principal amount remains outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Not Qualified Tax-Exempt Obligations	The Authority has NOT designated the Bonds as “qualified tax-exempt obligations.” See “TAX EXEMPTION – NOT Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service, Inc. (“Moody’s”), will be at the option and expense of the Initial Purchaser.
Rating.....	Moody’s assigned a rating of “Aa3” to the Bonds. See “RATING.”
Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THE AUTHORITY

Creation and Authority	The Authority was created by House Bill 1003, Chapter 101, 58 th Legislature of Texas, Regular Session, on May 6, 1963 (compiled as 8280-280, Texas Revised Civil Statutes and recodified as Chapter 9029, Texas Special District Local Laws Code). The Authority was created to provide, operate, and maintain waterworks systems, sanitary sewer systems, storm sewer systems, and drainage facilities to serve the land within its boundaries. The Authority operates under the authority of the Texas Constitution and the general laws of the State of Texas, including particularly Chapter 9029 of the Texas Special District Local Laws Code, and Chapters 49 and 51 of the Texas Water Code, as amended. See “THE AUTHORITY.”
Annexation	Approximately 99% of the area within the Authority currently lies within the corporate boundaries of one (1) or more cities, much of it as a result of annexations by the cities of Houston and Pasadena. Annexation or incorporation of the remaining area within the Authority by one (1) or more cities could lead to the dissolution of the Authority, subject to certain provisions of Section 43.076 of the Texas Local Government Code being satisfied. Under Section 43.076,

dissolution must be accompanied by agreement among the Authority and all of the cities in which the Authority lies, which agreement may specify any agreed method of allocation of assets and liabilities. See "THE BONDS – Effect of Annexation or Incorporation and Dissolution," "THE BONDS – Consolidation," and "AUTHORITY DEBT – Direct and Estimated Overlapping Debt Statement."

Development.....Since 1963, development has occurred on approximately 12,569 acres within the Authority for the residential, commercial, and public recreational uses of Clear Lake City. In addition, 1,428 acres within the Authority have been developed for industrial purposes as the Bayport Industrial Project.

Currently, there are approximately 16,853 completed homes and duplexes; 48 completed multi-family complexes comprising 10,569 apartments, townhomes, and condominium units; and 3,122 acres of commercial and industrial parks. Approximately 1,238 acres remain undevelopable within the Authority. Approximately 415 acres remain to be developed within the Authority. See "THE BONDS – Issuance of Additional Debt," "THE AUTHORITY," and "STATUS OF DEVELOPMENT AND ECONOMIC ACTIVITY IN AND AROUND THE AUTHORITY."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Taxable Assessed Valuation.....	\$ 7,957,601,561	(a)
Direct Debt:		
The Outstanding Bonds.....	\$ 131,245,000	
The Bonds	<u>\$ 36,730,000</u>	
Total.....	\$ 167,975,000	
Estimated Overlapping Debt	<u>\$ 413,609,837</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 581,584,837	(b)
Direct Debt Ratio:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	2.11	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	7.31	%
Debt Service Fund Balance (as of September 30, 2024).....	\$ 23,232,331	
General Operating Fund Balance (as of September 30, 2024).....	\$ 14,842,637	
Capital Projects Fund Balance (as of September 30, 2024)	\$ 39,193,711	
2024 Tax Rate:		
Debt Service	\$ 0.20	
Maintenance & Operation	<u>\$ 0.05</u>	
Total.....	\$ 0.25	
Estimated Average Annual Debt Service Requirement (2025–2050).....	\$ 8,817,222	(c)
Estimated Maximum Annual Debt Service Requirement (2029)	\$ 14,043,000	(c)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Estimated Average Annual Debt Service Requirement (2025–2050)		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.12	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Estimated Maximum Annual Debt Service Requirement (2029)		
Based on the 2024 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.19	

(a) Represents the assessed valuation of all taxable property within the Authority as of January 1, 2024, as provided by the Harris Central Appraisal District (the "Appraisal District"). Such amount includes \$41,399,405 of assessed valuation assigned to properties that remain under review by the Harris Central Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) See "AUTHORITY DEBT – Direct and Estimated Overlapping Debt Statement."

(c) Estimated debt service requirement on the Outstanding Bonds and the Bonds. Debt service on the Bonds is estimated using current market rates. See "AUTHORITY DEBT – Debt Service Requirements."

CLEAR LAKE CITY WATER AUTHORITY

\$36,730,000

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Clear Lake City Water Authority (the "Authority") of the \$36,730,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the Authority authorizing sale of the Bonds (the "Bond Order"), (ii) the Constitution and general laws of the State of Texas, particularly Chapter 9029, Texas Special District Local Laws Code, Chapters 49 and 51, Texas Water Code, as amended, (iii) an election held within the Authority on May 7, 2022, and (iv) an order issued by the Texas Commission on Environmental Quality ("TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the Authority and certain reports and other statistical data. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board of Directors of the Authority (the "Board"). A copy of the Bond Order may be obtained from the Authority upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the Authority.

The Bonds will mature on March 1 of the years and in the principal amounts and will bear interest from the initial date of delivery, which is expected to be on January 14, 2025 (the "Date of Delivery"), at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2025, and semiannually thereafter on each September 1 and March 1 (each an "Interest Payment Date") until the earlier of maturity or redemption.

The Bonds that mature on or after March 1, 2032, are subject to redemption prior to maturity at the option of the Authority, in whole or from time to time in part, on March 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If fewer than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the Authority. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar (hereinafter defined) shall select the particular Bonds to be redeemed by such random method as it deems fair and appropriate.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 for any one (1) maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owners (the “Registered Owners”) appearing on the registration and transfer books (the “Register”) of the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month next preceding each Interest Payment Date (“Record Date”) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owners recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owners. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the “SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all

of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The holder of ownership interest of each actual purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Authority or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Authority or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Paying Agent/Registrar

The Board has selected The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Dallas, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the Authority shall be a corporation organized and doing business under the laws of the United States of America or of any state authorized under such laws to exercise trust powers, shall have a combined capital and surplus of at least \$10,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the SEC and shall have a corporate trust office in Texas.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Registration and Transfer

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity, and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the Authority is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of, the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the Authority or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax, governmental charge, or other expenses payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the Authority has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Authority and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The Authority may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued by the Authority pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 9029 of the Texas Special District Local Laws Code; Chapters 49 and 51 of the Texas Water Code, as amended; an election held within the Authority on May 7, 2022; and an order issued by the TCEQ.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of Payment

The Bonds are the obligations solely of the Authority and are not the obligations of the State of Texas; Harris County, Texas; Houston County, Texas; the Cities of Houston, Pasadena, La Porte, Taylor Lake Village, and Webster, Texas; or any other entity. The Bonds together with the Outstanding Bonds (defined herein) and such additional combination tax and revenue bonds as may hereafter be issued by the Authority will be payable from the proceeds of a continuing direct annual ad valorem tax levied against all taxable property located within the Authority and will also be payable from Net Revenues (hereinafter defined) all to the extent and subject to the conditions described below.

- Tax Pledge -

The Outstanding Bonds, the Bonds, and any additional tax bonds as may hereafter be issued by the Authority are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Authority. In the Bond Order, the Authority covenants to levy a sufficient tax to pay the principal of and interest on the Outstanding Bonds and the Bonds with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the Authority's fund (the "Debt Service Fund") used to pay principal of and interest on the Outstanding Bonds, the Bonds, and any additional bonds payable from taxes that may hereafter be issued by the Authority.

- Net Revenue Pledge -

The Outstanding Bonds and the Bonds (and any additional bonds issued by the Authority to which such revenues are pledged) are further payable from, and secured by a pledge of and lien on, certain net revenues, if any, of the Authority's waterworks and sewer system (the "System"). Net revenues ("Net Revenues") are defined by the Bond Order as all income or increment which may grow out of the ownership and operation of the Authority's plants, facilities, and improvements (as same are purchased, constructed, or otherwise acquired), being the gross revenue income, less such portion of such revenue income as reasonably may be required to provide for the administration, efficient operation and adequate maintenance of the Authority's plants, facilities, and improvements, and to establish an operating reserve. It is not expected that the Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents and users in the Authority.

No Arbitrage

The Authority will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the Authority have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Authority are authorized to certify to the facts and circumstances and reasonable expectations of the Authority on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Authority covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption

The Bonds that mature on or after March 1, 2032, shall be subject to redemption at the option of the Authority, in whole or from time to time in part, on March 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Notice of the exercise of the reserved right of redemption will be given at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the Authority. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Outstanding Bonds

The Authority has previously issued forty-two (42) series of waterworks and sewer system combination unlimited tax and revenue bonds, seventeen (17) series of waterworks and sewer system combination unlimited tax and revenue refunding bonds, and one (1) series of subordinate lien revenue bonds. Of the Authority's previously issued bonds, as of November 1, 2024, \$131,245,000 principal amount remains outstanding (the "Outstanding Bonds").

Effect of Annexation or Incorporation and Dissolution

All the property within the Authority, with the exception of the tract located in Houston County, Texas, is currently within the city limits and/or the extraterritorial jurisdiction of the Cities of Houston, Pasadena, La Porte, Taylor Lake Village, and Webster, Texas. Land located within the Authority, which is not within the corporate limits of any city, but is within the extraterritorial jurisdiction of a city, may be annexed by such city. However, a city may not annex the Authority unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Under Texas law, no tract of land may be annexed by a city unless it is within the city's extraterritorial jurisdiction at the time of the annexation.

- Partial Annexation or Incorporation -

Under existing law, land not within the corporate limits of a city and within the Authority may, under certain circumstances, be annexed in part or in whole by the affected city, but the Authority shall continue to exist and retain its power to tax property within its boundaries, to operate and maintain the System, and to make service charges for the use thereof.

- Complete Annexation or Incorporation -

In the event that an annexation and/or incorporation results in all of the territory within the Authority being contained within the corporate limits of one (1) or more cities, the Authority could be dissolved only if the provisions of Section 43.076 of the Texas Local Government Code are satisfied. Under Section 43.076, dissolution must be accompanied by agreement among the Authority and all the cities in which the Authority then lies, which agreement may specify any agreed method of allocation of assets and liabilities.

Consolidation

A water control and improvement district, such as the Authority, has the legal authority to consolidate with other districts, thereby consolidating its assets (such as its cash and its water and wastewater systems) and its liabilities (which would include the Bonds) with the assets and liabilities of the district or districts with which it is consolidating.

Defeasance

The Bond Order provides that the Authority may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place or payment (paying agent) for obligations

of the Authority payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. In the Bond Order, the Authority has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

Issuance of Additional Debt

The Authority may issue bonds to provide those improvements and facilities for which the Authority was created, with approval of the TCEQ and, in the case of bonds payable from ad valorem taxes, the Authority's voters. Following the issuance of the Bonds, \$397,897 principal amount of unlimited tax and revenue bonds authorized by the Authority's voters at an election held on November 8, 2016, for the purpose of repairing, rehabilitating, and making capital improvements to the Authority's existing water, wastewater, and drainage facilities, \$50,322,483 principal amount of unlimited tax refunding bonds authorized by voters at an election held on November 3, 2009, \$132,000,000 principal amount of unlimited tax refunding bonds authorized by the Authority's voters at an election held on November 8, 2016, and \$74,368,728 principal amount of unlimited tax and revenue bonds authorized by the Authority's voters at an election held on May 7, 2022 for the purpose of repairing, rehabilitating, and making capital improvements to the Authority's water, wastewater, and drainage facilities authorized by the Authority's voters at an election held on May 7, 2022 will remain authorized but unissued.

The Board is empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the Authority. Any additional bonds issued by the Authority may be on a parity with the Bonds. Issuance of additional bonds could dilute the investment security for the Bonds.

The Authority also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the Authority could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City of Houston Ordinance specifying the purposes for which the Authority may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the Authority at an election called for such purpose; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

The Legislature has enacted legislation, effective September 13, 2003, allowing a district such as the Authority to levy an operation and maintenance tax to support park and recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the Authority, after such tax is approved at an election. In addition, the Authority is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of park and recreational facilities if (i) the Authority duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the assessed valuation of taxable property in the Authority at the time of issuance of the bonds, or an amount greater than the estimated cost of the park plan, whichever amount is smaller (however, if the Authority meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the Authority may exceed an amount equal to 1% but not 3% of the assessed valuation of taxable property in the Authority); (iv) the Authority obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The Authority may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the TCEQ.

At this time the Authority has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for park and recreational facilities could dilute the investment security for the Bonds.

Funds

The Bond Order confirms the Authority's fund for debt service on the Outstanding Bonds, the Bonds, and any additional bonds issued by the Authority for the System payable in whole or in part from taxes (the "Debt Service Fund"). The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, and any additional bonds issued by the Authority for the System, is to be kept separate from all other funds of the Authority, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the Authority's other duly authorized bonds issued for the System payable in whole or in part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds, and any additional bonds for the System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Specific Tax Covenants

In the Bond Order, the Authority has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the use of the facilities financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The Authority may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Code, so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In addition, the Authority has made representations sufficient to determine that the Bonds are not "hedge bonds" within the meaning of Section 149(g)(3) of the Code.

Amendments to Bond Order

The Authority may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Authority may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds; (2) give

any preference to any Bond over any other Bond; or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

Texas law and the Bond Order provide that in the event the Authority defaults in the payment of the principal of or the interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners of the Bonds may be provided by the laws of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners of the Bonds. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Authority, such a judgment could not be enforced by direct levy and execution against the Authority's public purpose property. Further, the Registered Owners could not themselves foreclose on property within the Authority or sell property within the Authority in order to pay the principal of and interest on the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Authority. Subject to the requirements of Texas law, the Authority may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§ 901-946, if the Authority: (1) is generally authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a water control and improvement district such as the Authority must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the Authority and will authorize the Authority to proceed only if the TCEQ determines that the Authority has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the Authority decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the Authority would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the Authority's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the Authority is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the Authority.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt from Section 49.186 of the Texas Water Code and is applicable to the Authority:

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the Authority (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to pay for the construction costs and non-construction costs set forth below.

<u>Construction Costs</u>	<u>Authority's Share</u>
<u>Authority Items</u>	
1. Water System Rehabilitation	\$ 550,000
2. Water Plant 3 Recoating	750,000
3. 24" Water Line from North Metering Station to Water Plant 4	3,600,000
4. 12" Saturn Water Line	1,400,000
5. Water Meter Replacement	1,600,000
6. Elevated Storage Tank 1 Recoating	550,000
7. Sanitary Sewer Rehabilitation	2,500,000
8. WWTP Filter Replacement	9,000,000
9. WWTP Blower Replacement	500,000
10. WWTP Reclaimed Water and Non-Portable Water System Improvements	2,000,000
11. WWTP Lift Station Improvements	4,000,000
12. Exploration Green Detention Pond System Rehabilitation	100,000
13. Contingencies for Items No. 1 - 12 (10%)	2,655,000
14. Engineering (22% of Items No. 1 - 12)	5,841,000
Total Construction Costs	<u>\$ 35,046,000</u>
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 183,650
B. Fiscal Agent Fees	208,650
C. Bond Discount (3.0%)	1,101,900
D. Bond Issuance Expenses	48,475
E. Bond Application Report Costs	40,000
F. TCEQ Bond Issuance Fee (0.25%)	91,825
G. Attorney General's Fee (0.10% or \$9,500 max.)	9,500
Total Non-Construction Costs	<u>\$ 1,684,000</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 36,730,000

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Authority's Engineer has advised the Authority that the proceeds from the sale of the Bonds should be sufficient to pay for the costs as described above; however, the Authority cannot and does not guarantee the sufficiency of such funds for such purposes.

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AUTHORITY DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The Authority and various other political subdivisions of government which overlap all or a portion of the Authority are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the Authority.

2024 Taxable Assessed Valuation.....	\$ 7,957,601,561	(a)
Direct Debt:		
The Outstanding Bonds.....	\$ 131,245,000	
The Bonds	<u>\$ 36,730,000</u>	
Total.....	\$ 167,975,000	
Estimated Overlapping Debt	<u>\$ 413,609,837</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 581,584,837	(b)
Direct Debt Ratio:		
As a Percentage of the 2024 Taxable Assessed Valuation.....		2.11 %
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of the 2024 Taxable Assessed Valuation.....		7.31 %
Debt Service Fund Balance (as of September 30, 2024).....	\$ 23,232,331	
General Operating Fund Balance (as of September 30, 2024).....	\$ 14,842,637	
Capital Projects Fund Balance (as of September 30, 2024)	\$ 39,193,711	
2024 Tax Rate:		
Debt Service	\$ 0.20	
Maintenance & Operation	<u>\$ 0.05</u>	
Total.....	\$ 0.25	
Estimated Average Annual Debt Service Requirement (2025–2050).....	\$ 8,817,222	(c)
Estimated Maximum Annual Debt Service Requirement (2029)	\$ 14,043,000	(c)

(a) Represents the assessed valuation of all taxable property within the Authority as of January 1, 2024, as provided by the Harris Central Appraisal District (the "Appraisal District"). Such amount includes \$41,399,405 of assessed valuation assigned to properties that remain under review by the Harris Central Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."

(b) See "AUTHORITY DEBT – Direct and Estimated Overlapping Debt Statement."

(c) Estimated debt service requirement on the Outstanding Bonds and the Bonds. Debt service on the Bonds is estimated using current market rates. See "AUTHORITY DEBT – Debt Service Requirements."

Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the Authority have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the Authority, the Authority has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the Authority are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. See "TAX DATA – Estimated Overlapping Taxes." Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt September 30, 2024	Overlapping	
		Percent	Amount
Clear Creek Independent School District	\$1,065,675,000	20.51%	\$218,569,941
Deer Park Independent School District	368,445,000	5.04%	18,569,628
Harris County	2,424,019,039	1.29%	31,269,846
Harris County Dept. of Education	28,960,000	1.29%	373,584
Harris County Flood Control District	968,445,000	1.29%	12,492,941
Harris County Hospital District	65,285,000	1.29%	842,177
Harris County Toll Road	(a)	1.29%	0
City of Houston	3,660,980,000	1.75%	64,067,150
La Porte Independent School District	385,900,000	6.22%	24,002,980
City of La Porte	41,790,000	0.09%	37,611
Pasadena Independent School District	896,800,000	0.21%	1,883,280
City of Pasadena	164,955,000	12.36%	20,388,438
Port of Houston Authority	426,134,397	1.29%	5,497,134
San Jacinto Community College District	520,862,492	2.12%	11,042,285
City of Webster	34,460,000	13.27%	4,572,842
Total Estimated Overlapping Debt			\$413,609,837
Direct Debt (b)			\$167,975,000
Total Direct and Estimated Overlapping Debt (b)			\$581,584,837

(a) Debt considered to be self-supporting.

(b) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratio:

As a Percentage of the 2024 Taxable Assessed Valuation (a)..... 2.11 % (b)

Direct and Estimated Overlapping Debt Ratio:

As a Percentage of the 2024 Taxable Assessed Valuation (a)..... 7.31 % (b)

(a) See "TAX DATA – Analysis of Tax Base."

(b) Includes the Outstanding Bonds and the Bonds.

Debt Service Requirements

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the estimated principal and interest requirements of the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$11,707,806	-	\$926,412	\$926,412	\$12,634,218
2026	11,694,931	\$870,000	1,451,800	2,321,800	14,016,731
2027	11,704,981	910,000	1,416,200	2,326,200	14,031,181
2028	11,709,506	945,000	1,379,100	2,324,100	14,033,606
2029	11,717,500	985,000	1,340,500	2,325,500	14,043,000
2030	10,805,013	1,025,000	1,300,300	2,325,300	13,130,313
2031	10,813,278	1,065,000	1,258,500	2,323,500	13,136,778
2032	10,836,850	1,110,000	1,215,000	2,325,000	13,161,850
2033	10,857,650	1,155,000	1,169,700	2,324,700	13,182,350
2034	10,885,600	1,200,000	1,122,600	2,322,600	13,208,200
2035	10,901,056	1,250,000	1,073,600	2,323,600	13,224,656
2036	10,241,331	1,300,000	1,022,600	2,322,600	12,563,931
2037	10,246,541	1,355,000	969,500	2,324,500	12,571,041
2038	8,720,778	1,410,000	914,200	2,324,200	11,044,978
2039	1,718,425	1,470,000	856,600	2,326,600	4,045,025
2040	1,726,300	1,525,000	796,700	2,321,700	4,048,000
2041	1,731,200	1,590,000	734,400	2,324,400	4,055,600
2042	1,733,900	1,655,000	669,500	2,324,500	4,058,400
2043	1,734,400	1,720,000	602,000	2,322,000	4,056,400
2044	1,737,600	1,790,000	531,800	2,321,800	4,059,400
2045	1,743,300	1,865,000	458,700	2,323,700	4,067,000
2046	1,746,400	1,940,000	382,600	2,322,600	4,069,000
2047	1,751,800	2,020,000	303,400	2,323,400	4,075,200
2048	1,754,400	2,105,000	220,900	2,325,900	4,080,300
2049	-	2,190,000	135,000	2,325,000	2,325,000
2050	-	2,280,000	45,600	2,325,600	2,325,600
Total	\$170,220,547	\$36,730,000	\$22,297,212	\$59,027,212	\$229,247,759
Estimated Average Annual Debt Service Requirement (2025–2050).....					\$ 8,817,222
Estimated Maximum Annual Debt Service Requirement (2029).....					\$ 14,043,000

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the Authority in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the Authority may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The Authority agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the Authority and the System and for the payment of certain contractual obligations. For the 2024 tax year, the Authority authorized the levy of a tax for maintenance and operations in the amount of \$0.05 per \$100 of taxable assessed valuation. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the Authority. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the Authority. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the Authority in establishing its tax roll and tax rate. Under certain circumstances, taxpayers may appeal the orders of the Appraisal Review Board by filing a petition for review in Texas District Court. In such event, the value of the property will be determined by the court, or if requested, a jury.

Property Subject to Taxation by the Authority

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the Authority are subject to taxation by the Authority. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the Authority may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the Authority. The Authority may be required to offer such exemptions if a majority of voters approve same at an election. The Authority would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The Authority is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the Authority's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the Authority. Furthermore, the Authority must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated at no cost by a charitable organization at some or no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Finally, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The Authority has granted a 20% homestead exemption for the 2024 tax year. In addition, the Authority grants a homestead exemption of \$80,000 for persons age 65 or over and \$100,000 for disabled persons. See "TAX DATA – Analysis of Tax Base."

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating or used to repair or maintain aircraft of a certified air carrier and shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, goods in transit ("freeport goods") are exempted from taxation by the Authority effective January 1, 1990.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in Texas or outside Texas within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such goods-in-transit exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The Authority has not taken action to tax Goods-in-Transit. A taxpayer may receive only one (1) of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

Harris County may designate all or part of the area within the Authority as a reinvestment zone. Thereafter, Harris County and the Authority, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in

granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the Authority, for a period of up to 10 years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the Authority must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the Authority in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District as least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The Authority, however, at its expense has the right to obtain from the Appraisal District current estimate of appraised values within the Authority or an estimate of any new property or improvements within the Authority. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Authority, it cannot be used for establishing a tax rate within the Authority until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Authority, adopting its tax rate for the tax year. A taxing unit, such as the Authority, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the “Governor”) on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster are entitled to enter into a tax payment

installment agreement with a taxing jurisdiction such as the Authority if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, timberland designation, or the residential real property inventory designation must apply for the designation and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Authority can collect taxes based on the new use, including taxes for a period of three (3) years for agricultural use, timberland, open space land prior to the loss of designation.

Authority and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Authority, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Authority and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal role.

Levy and Collection of Taxes

The Authority is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the Authority based on valuation of property within the Authority as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% to defray collection costs if imposed by the Authority. The delinquent tax also accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four (4) equal installments following the disaster. Further, a person who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

Authority's Rights in the Event of Tax Delinquencies

Taxes levied by the Authority are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Authority, having the power to tax the property. The Authority's tax lien is on a parity with the tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real

property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Authority is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Authority may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Authority must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections Limitations."

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on the current maintenance and operations tax rate or on the percentage of projected build-out that the district has completed. Districts that have adopted a maintenance and operations tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements, and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the maintenance and operations tax rate that would impose 1.035 times the amount of maintenance and operations tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas (the "Governor") or the President of the United States (the "President"), alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the maintenance and operations tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate the maintenance and operations tax rate that would impose 1.08 times the amount of maintenance and operations tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The Authority

For the 2024 tax year, the Authority made the determination of its status as a Developing District. The Authority cannot give any assurances as to what its classification will be at any point in time or whether the Authority's future tax rates will result in a total tax rate that will reclassify the Authority into a new classification and new election calculation.

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TAX DATA

General

Taxable property within the Authority is subject to the assessment, levy, and collection by the Authority of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (and any future tax-supported bonds that may be issued from time to time as authorized). Taxes are levied by the Authority each year against the Authority's taxable assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the Authority's tax base, its debt service requirements and available funds. In addition, the Authority has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$0.05 per \$100 of taxable assessed valuation, for operation and maintenance purposes. For the 2024 tax year, the Board authorized the levy of a debt service tax rate of \$0.20 per \$100 of taxable assessed valuation and maintenance and operations tax rate of \$0.05 per \$100 of taxable assessed valuation, for a total tax rate of \$0.25 per \$100 of taxable assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$0.05 per \$100 of Taxable Assessed Valuation.

Historical Values and Tax Collection History

Tax Year	Assessed Valuation (a)	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 09/30/24
2011	\$ 4,356,879,405	\$ 0.28	\$ 12,199,262	99.65%	2012	99.99%
2012	4,154,359,377	0.28	11,632,206	99.71	2013	99.98
2013	4,279,138,700	0.28	11,981,588	99.45	2014	99.99
2014	4,548,440,921	0.28	12,735,634	99.78	2015	99.96
2015	4,833,519,047	0.27	13,050,501	99.70	2016	99.96
2016	5,234,047,218	0.27	14,131,927	99.59	2017	99.95
2017	5,548,167,967	0.27	14,980,054	99.54	2018	99.92
2018	5,629,387,199	0.27	15,199,345	99.55	2019	99.91
2019	5,774,721,926	0.27	15,591,749	99.56	2020	99.88
2020	6,036,156,655	0.26	15,694,007	99.45	2021	99.87
2021	6,410,688,280	0.26	16,667,790	99.36	2022	99.84
2022	7,193,829,323	0.26	18,703,956	99.31	2023	99.69
2023	7,963,127,508	0.25	19,907,819	99.20	2024	99.20
2024	7,957,601,561	0.25	19,894,004	(b)	2025	(b)

(a) Values may differ from those shown in the Authority's financial statements and elsewhere in this Official Statement due to subsequent adjustments.

(b) In process of collections. Taxes for the 2024 tax year are due January 31, 2025.

Tax Rate Distribution

	2024	2023	2022	2021	2020
Debt Service	\$0.20	\$0.20	\$0.21	\$0.21	\$0.21
Maintenance & Operations	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.05</u>	<u>\$0.05</u>
Total	\$0.25	\$0.25	\$0.26	\$0.26	\$0.26

Analysis of Tax Base

The following table illustrates the Authority's taxable assessed valuation for the 2020–2024 tax years by type of property.

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 2,516,248,786	\$ 2,553,585,661	\$ 2,472,530,609	\$ 2,245,167,820	\$ 2,155,325,003
Improvements	6,991,593,895	7,541,965,019	6,617,034,472	5,816,506,382	5,430,243,552
Personal Property	589,716,044	791,576,561	718,752,382	591,464,006	619,920,046
Exemptions	<u>(2,570,661,890)</u>	<u>(2,923,999,733)</u>	<u>(2,614,488,140)</u>	<u>(2,242,449,928)</u>	<u>(2,169,331,946)</u>
Total (a)	\$ 7,526,896,835	\$ 7,963,127,508	\$ 7,193,829,323	\$ 6,410,688,280	\$ 6,036,156,655

(a) Values may differ from those shown in the Authority's financial statements and elsewhere in this Official Statement due to subsequent adjustments.

Principal Taxpayers

Based upon information supplied by the Authority's Tax Assessor/Collector, the following table lists principal Authority taxpayers, type of property owned by such taxpayers, and the taxable assessed valuation of such property as of January 1, 2024.

Taxpayer	Type of Property	2024 Taxable Assessed Valuation
GSMV Village on The Lake Owner LLC	Land & Improvements	\$65,268,377
Middlebrook Driver Owner LLC	Land & Improvements	63,813,172
GSMV The Caroline Owner LLC	Land & Improvements	62,624,193
BR Everwood DST	Land & Improvements	58,763,980
Prologis USLV Subreit 3 LLC	Land & Improvements	53,529,130
GSMV Las Palmas Owner LLC	Land & Improvements	46,770,660
BW CCV Skylar Pointe DE LLC	Land & Improvements	43,767,937
Boeing Company	Land & Improvements	43,080,431
Cottonwood Regatta S LLC	Land & Improvements	41,644,436
Solvay USA Inc	Land & Improvements	<u>41,197,897</u>
Total		\$520,460,213

Percentage of Respective Tax Roll (a)

6.54 %

(a) See "TAX DATA – Analysis of Tax Base."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet debt service requirements on the Outstanding Bonds and the Bonds if no growth in the Authority occurs beyond the taxable assessed valuation as of January 1, 2024. See "TAX DATA – Analysis of Tax Base." The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Estimated Average Annual Debt Service Requirement (2025–2050).....	\$ 8,817,222
Tax Rate of \$0.12 on the 2024 Taxable Assessed Valuation Produces	\$ 9,071,666
Estimated Maximum Annual Debt Service Requirement (2029).....	\$ 14,043,000
Tax Rate of \$0.19 on the 2024 Taxable Assessed Valuation Produces	\$ 14,363,471

Estimated Overlapping Taxes

Property within the Authority is subject to taxation by several taxing authorities in addition to the Authority. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the Authority is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the Authority and of such other jurisdictions (see "AUTHORITY DEBT – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of taxable assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of taxable assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate per \$100 of Taxable Assessed Valuation</u>
The Authority	\$ 0.250000
Harris County	0.385290
Harris County Department of Education	0.004799
Harris County Flood Control District	0.048970
Harris County Hospital District	0.163480
Port of Houston Authority	0.006150
Clear Creek Independent School District	<u>0.969000</u>
Total	\$ 1.827689

(a) Portions of the Authority lie within other cities and school districts. See the below table and "AUTHORITY DEBT – Direct and Estimated Overlapping Debt Statement."

<u>Other Taxing Jurisdiction in the Authority</u>	<u>2024 Tax Rate per \$100 of Taxable Assessed Valuation</u>
<u>School Districts:</u>	
Deer Park Independent School District	\$ 1.121300
La Porte Independent School District	0.973900
Pasadena Independent School District	1.225500
<u>Junior College District:</u>	
San Jacinto Community College District	\$ 0.154868
<u>Cities:</u>	
City of Pasadena	\$ 0.474834
City of Taylor Lake Village	0.230860
City of Webster	0.374830
City of Houston	0.519190

THE AUTHORITY

General

The Authority was created by House Bill 1003, Chapter 101, 58th Legislature of Texas, Regular Session, on May 6, 1963 (compiled as 8280-280, Texas Revised Civil Statutes and recodified as Chapter 9029, Texas Special District Local Laws Code). The Authority was created to provide, operate, and maintain waterworks systems, sanitary sewer systems, storm sewer systems and drainage facilities to serve the land within its boundaries. The Authority operates under the authority of the Texas Constitution and the general laws of the State of Texas,

including particularly, Chapter 9029 of the Texas Special District Local Laws Code, and Chapters 49 and 51 of the Texas Water Code, as amended.

Description

The Authority is situated almost entirely in southeast Harris County in the Clear Lake area, about 20 miles southeast of the central business district of the City of Houston. Its northwest to southwest boundary is State Highway 3 which parallels Interstate Highway 45. The Authority is situated north of Clear Lake and surrounds the Johnson Space Center on three sides. Ellington Field, a general aviation airport of the City of Houston which also provides commercial service, is located just outside the Authority's northwest boundary. At the time of its creation on May 6, 1963, the Authority consisted of 12,269 acres. On May 10, 1963, the annexation of an additional 2,965 acres was approved by the Authority, which coupled with other smaller annexations, and exclusions of approximately 416 acres, results in a total land area of approximately some 15,650 acres. Of this total, 1,428 acres are in the Bayport Industrial Project. This acreage has been developed and is subject to ad valorem taxation by the Authority, but no portion of it currently receives service from the Authority. See "INVESTMENT CONSIDERATIONS - 2013 Legislation."

Out of the remaining 14,222 acres, approximately 12,569 acres have been developed for commercial, residential, and public recreational use, 1,238 acres remain undevelopable; and approximately 415 acres remain to be developed. See "STATUS OF DEVELOPMENT AND ECONOMIC ACTIVITY IN AND AROUND THE AUTHORITY." The Authority also owns a small tract of land located within Houston County that is located within its boundaries.

Topography and Drainage

The general area of the Authority ranges in elevation from 10 feet above mean sea level along the extreme eastern boundary near Clear Lake to about 35 feet above mean sea level along the northwestern boundary. Substantially all existing areas or areas proposed for development within the Authority are above the projected 100-year flood plain. In the general area of the Authority, there are three (3) well-defined major watersheds. The three (3) major drainage channels are Horsepen Bayou on the west, Armand Bayou in the central area, and Cow Bayou on the south. These streams drain a total area of about 54,000 acres and, ultimately, discharge through Clear Lake into Galveston Bay. Drainage of the developed subdivisions in the Authority is accomplished by means of enclosed storm sewer systems which outfall into improved channels of the three (3) major streams.

Subsidence District

The Authority is within the Harris-Galveston Subsidence District (the "Subsidence District") which regulates the withdrawal of groundwater within its jurisdiction. The Authority's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. On January 9, 2013, the Subsidence District adopted a District Regulatory Plan, as amended (the "2013 Plan"), to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. On April 14, 2021, the Subsidence District amended the 2013 Plan (the "Amended 2013 Plan"). Under the Amended 2013 Plan, the Authority's groundwater withdrawals must comprise no more than 10% of the Authority's total water demand. A disincentive fee is applied to any groundwater withdrawn that constitutes greater than 10% of the Authority's total water demand. The Authority is in compliance with the Amended 2013 Plan. See "THE SYSTEM - Description."

City of Houston Drainage Fee

Voters of the City of Houston approved an assessment and collection of a city-wide drainage fee in a November 2010 election. The Authority and the City of Houston entered into an agreement in 2012 providing for the waiver of the drainage fee for landowners located within the City of Houston and the Authority. Residents of the City of Houston within the Authority are, in general, provided with drainage services by the Authority, with the exception of that component related to streets, curbs, gutters, and inlets. The streets, curbs, gutters, and inlets that are within both the City of Houston and the Authority are maintained by the City of Houston, as they historically have been, pursuant to such agreement between the City of Houston and the Authority.

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 of Houston

agrees that it will neither bill nor collect the annual drainage revenue for so long as the Authority’s annual allocable costs offset the annual drainage revenue for the same year.

Effective May 8, 2022, the Authority and the City of Houston entered into a new agreement with a term of 10 years from such effective date that provides for a credit to the Authority for allocable costs that have exceeded the City of Houston’s annual drainage revenue and allows the Authority to apply excess allocable costs to offset drainage revenue in future years.

Management of the Authority

The Authority is governed by a board of five (5) directors which has control over and management supervision of all affairs of the Authority. All of the Directors reside and own taxable property within the Authority. Directors of the Authority are elected to serve four (4)-year staggered terms, and elections are held in even-numbered years. The members and officers of the Board of Directors of the Authority, along with their occupations and terms, are listed below.

Board of Directors

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>	<u>Employer/Occupation</u>	<u>Years of Service</u>
W. Thomas Morrow	President	2026	Novam Ideam, LLC – General Counsel	10
Robert T. Savely	Vice President	2028	Retired	48
John Graf	Secretary	2028	NASA – Research Engineer	9
Anthea Guest	Director	2026	Retired	3
Brady Pyle	Director	2028	Space Center Houston – Chief HR & Inclusion Officer	1

Authority Officials

<u>Official</u>	<u>Years with Authority</u>	<u>Position</u>
Jennifer Morrow	26	General Manager and Treasurer
Dean McGee	4	Director of Finance
Curtis Rodgers	39	Director of Utilities
Yazmin Garay	7	Tax Collector

Employees and Employee Benefits

The Authority presently has approximately 86 full-time employees and 5 part-time employees engaged in administrative, operations, maintenance, and clerical functions. As a part of its benefits program for full time employees, the Authority provides medical, dental, vision, long term disability and life insurance, and the majority of the costs are borne by the Authority. Additionally, a family group plan is available to which the employee contributes up to 20% of the cost of the premium. Also offered to regular employees is a private defined contribution retirement savings plan, adopted and executed August 20, 1973. Since October 1, 1973, retirement benefits have been offered to all full-time employees who have completed one (1) year of credited service. This benefit is funded entirely by the Authority. The funds are maintained and administered by MissionSquare Retirement, Washington, D.C. The plan provides for full vesting after seven (7) years of employment. The Authority also provides for vacations, sick leave, and holiday schedules for all its full-time employees.

The Authority's Consultants

The Authority has retained several consultants to perform professional services primarily in connection with the issuance of its bonds and subsequent construction activities. Certain of the consultants may also be employed by the Authority to perform professional services outside the scope of the issuance of the Bonds. To the extent the consultants are involved directly in the issuance of the Bonds, their fees may be contingent upon the sale and delivery of such Bonds. A listing and brief description of the consultants follows:

As required by the Texas Water Code, the Authority retains an independent auditor to audit the Authority's financial statements annually, which audit is filed with the TCEQ. The Authority's current auditor is McCall Gibson Swedlund Barfoot PLLC. A copy of the Authority's audit for the fiscal year ended September 30, 2023, is attached as "APPENDIX A" to this Official Statement.

The consulting engineer for the Authority in connection with the design and construction of the System is Lockwood, Andrews and Newnam, Inc. (the "Engineer"). See "THE SYSTEM – Description."

The Authority has contracted with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. as its delinquent tax attorney.

The Authority has contracted with the law office of Chris A. Scherer for general employment law matters.

The Authority has contracted with Sanford Kuhl Hagan Kugle Parker Kahn LLP as Bond Counsel in connection with the issuance of the Bonds. Payment to Bond Counsel by the Authority is contingent upon the issuance, sale, and delivery of the Bonds. See "LEGAL MATTERS."

Coats Rose, P.C. provides general counsel services to the Authority.

Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as "Disclosure Counsel". The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

The Authority has engaged the firm of Robert W. Baird & Co. Incorporated as Financial Advisor to the Authority. Payment to the Financial Advisor by the Authority is contingent upon the issuance, sale, and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

STATUS OF DEVELOPMENT AND ECONOMIC ACTIVITY IN AND AROUND THE AUTHORITY

Since 1963, development has occurred on approximately 12,569 acres within the Authority for the residential, commercial, and public recreational uses of Clear Lake City. In addition, approximately 1,428 acres within the Authority have been developed for industrial purposes as the Bayport Industrial Project. Currently, there are approximately 16,853 completed homes and duplexes; 48 completed multi-family complexes comprising approximately 10,569 apartments, townhomes, and condominium units; and approximately 3,122 acres of commercial and industrial parks. Approximately 1,238 acres remain undevelopable within the Authority. Approximately 415 acres remain to be developed within the Authority. See "THE BONDS – Issuance of Additional Debt."

-Residential-

The Authority is currently composed of 30 residential subdivisions. Development is substantially completed in the Oakbrook, Bay Knoll, Camino South, University Green, Meadowgreen, Oakbrook West, Middlebrook, Brook Forest, Bay Glen, Clear Lake Forest, Kirby Woods, Kirby Oaks, Taylor Lake Estates, Timber Cove, Bay Forest, Bay Pointe, Brookwood, Northfork, Kirby Bend, Kirby Place, Bay Oaks, Pine Brook, Village Grove area, Taylor Lake Shores, Harbour Village, Lake Country, Kirby Lake, Harbour Estates, Roy Isles Estates and University Park subdivisions. New homes and sales of existing homes in these subdivisions range in sales price from approximately \$200,000 to \$2.7 million in the last year. Currently, there are approximately 16,853 completed single-family residences and duplexes as well as approximately 48 completed multi-family complexes comprising approximately 10,569 apartments, townhomes, and condominium units within the Authority.

-Commercial and Industrial-

Approximately 1,428 acres within the Authority have been developed as the Bayport Industrial Project (“Bayport”), a planned industrial development of approximately 10,750 total acres, including 62 industrial plant sites.

Bay Terrace and University Park were developed to provide office and commercial sites in the Authority. Bay Terrace is a commercial subdivision of 154 acres, of which nine (9) acres are owned by Exxon Land Development Inc. (“ELD”). University Park, Section 1, is a subdivision of 141 acres in which Boeing occupies a building containing 410,000 square feet of office space.

Clear Point Crossing includes approximately 65 acres that have been developed with utilities to service such lands. To date, commercial improvements have been constructed on approximately 50 of the 65 acres.

The Spaceport Development at Ellington Airport is a 95-acre aerospace development project that is being built by the Houston Airport System and the private utilities for phase 1 have been installed. Several companies, such as Collins Aerospace, Intuitive Machines, and Axiom Space, Inc., have completed construction and are open for operations.

-Major Employers-

The Johnson Space Center of the National Aeronautics and Space Administration (“NASA”), which was responsible for NASA’s space shuttle and space station projects, is an important part of the Clear Lake area economy, both as an employer of approximately 3,000 civil service employees and more than 12,000 local contractors. In addition, Space Center Houston, a visitor complex and educational facility, has hosted approximately 1.25 million visitors annually since opening in 1992. The rate and extent of continued development within the Clear Lake area could be influenced by the degree of continued federal funding of NASA projects.

A major employment base in the general area is Bayport, a planned industrial development of approximately 10,750 acres, of which approximately 1,428 acres lie within the Authority, with approximately 62 industrial plants in operation. Bayport is located in southeast Harris County approximately 23 miles from the central business district of the City of Houston. It includes a 40-foot deep water port and channel facility connected to the Houston Ship Channel, barge dock facilities, a pipeline network and railroad service lines.

-Shopping and Healthcare-

The Baybrook Mall, serving the southeast metropolitan Houston Area and Galveston County, is approximately one (1) mile from the Authority. The mall contains 1.2 million leasable square feet and is anchored by four (4) major department stores.

Presently serving the Clear Lake area are four (4) general hospitals: HCA Healthcare Clear Lake in the City of Webster with 532 beds; Memorial Hermann Southeast Hospital in the City of Houston with 293 beds; Houston Methodist Clear Lake Hospital in the City of Nassau Bay with 178 beds; and UTMB Health Clear Lake Campus Hospital with 149 beds.

-Educational-

Serving the area is the University of Houston-Clear Lake, constructed on a 524-acre site in the Authority, with enrollment figures of approximately 9,383 students comprising 6,847 undergraduate students and 2,536 graduate students. The San Jacinto College District operates a South Campus on 13735 Beamer Road with a current enrollment of approximately 11,301 students and a Central Campus on 8060 Spencer Highway with a current enrollment of approximately 13,029 students. The San Jacinto College Clear Horizons Early College High School located at San Jacinto College South Campus has an enrollment of approximately 444 students. The College of the Mainland in Texas City, Texas, is a junior college with approximately 4,673 full-time students enrolled.

-Transportation-

The area is served by several major highways. In addition to the highways and major thoroughfares within the limits of the Authority, external access is provided by Interstate Highway 45 (the Gulf Freeway), State Highway 3, NASA Road 1, Farm-to-Market Road 2351 (Clear Lake City Boulevard) and State Highway 146. Bay Area

Boulevard is the major thoroughfare through the Authority connecting the Gulf Freeway with State Highway 146. In addition to Bay Area Boulevard, two (2) other major thoroughfares provide access to the Gulf Freeway.

The Metropolitan Transit Authority (“MTA”) provides direct bus service to downtown Houston from a 1,200-space park-and-ride lot located within the Authority.

Hobby Airport, the thirty-third largest airport in the nation and one (1) of Houston’s two (2) airports providing regularly scheduled commercial airline service, is 12 miles from the Authority.

Ellington Airport, located immediately adjacent to the Authority’s northwest boundary, provides governmental, commercial, and general aviation service.

THE SYSTEM

Regulation

According to the Engineer, the System has been designed in accordance with accepted engineering practices and recommendations and is subject to the inspection of Harris County Public Infrastructure Department, Harris County Flood Control District, Texas Department of Health, and TCEQ.

General

The Authority’s System presently includes facilities for producing or receiving, disinfecting, pressurizing, storing, and distributing potable water; collecting, receiving, treating, and discharging wastewater; and collecting, diverting, and carrying off rainwater and stormwater to serve approximately 12,569 developed acres out of the total 15,650 acres within the Authority.

Description

- Water System -

The Authority’s waterworks system is comprised of four (4) water storage and pumping plants having a combined capacity of 7.85 million gallons of storage and 36,900 gallons per minute (“gpm”) pumping capacity; eight (8) water wells, capable of producing 12.84 million gallons per day (“MGD”); six (6) elevated tanks having a combined storage capacity of 4.0 million gallons of storage and a system of distribution mains ranging in size from 6-inches in diameter up to 30-inches in diameter. The water supply for the Authority is provided through a 42-inch potable surface water line from the City of Houston along the Authority’s western boundary at State Highway 3, and a 24-inch line on the north side tied directly to the Southeast Water Treatment Plant. Primarily during peak hot weather periods, wells are used to supplement the treated surface water and constitute less than 10% of yearly usage. See “THE AUTHORITY – Subsidence District.” The Authority commenced taking potable water from surface water sources of the City of Houston in June 1976, for redistribution by the Authority in its System and for supplying the neighboring Johnson Space Center and the City of Nassau Bay. The Authority and the City of Houston entered into a contract in February 2000, superseding their prior contracts for the purchase of potable water being supplied to the Authority by the City of Houston. This contract provided for the Authority to join with the City of Houston, and other political entities, to construct a new water purification plant of which the Authority would own 7.5 MGD peak daily capacity and a peak hourly pumping rate of 15.0 MGD (10,417 gpm). As described below, in 2001 the Authority exercised its right to purchase an additional 12.95 MGD of water capacity provided by the Southeast Water Treatment Plant, for a total of 20.45 MGD. Treated surface water, as supplied by the Southeast Water Treatment Plant, is and is expected to continue to be the prime source of potable water for the Authority. According to the Authority’s Engineer, the water supply capacity is sufficient to serve the existing and proposed development in the Authority. The System meets the requirements of the State of Texas for a “Superior” water system and the “State Board of Insurance” criteria. The Authority furnishes water services to a few customers outside its boundaries. See “THE AUTHORITY – Subsidence District” and “THE SYSTEM – Description – Water Supply Contract.”

The Authority has installed a system using reclaimed wastewater to supply irrigation water to the Bay Oaks Country Club Golf Course, University of Houston-Clear Lake and the Authority’s Exploration Green Detention Ponds for irrigation and landscaping purposes.

With the exceptions described in this paragraph, the Authority provides retail service directly to the residents and commercial customers in its boundaries. Water and sanitary sewer utility service for the Village Grove

subdivision, Pasadena River Oaks, Santorini Estates, Providence Bayou, Village Grove East, Turtle Creek subdivisions and Village Grove East Townhomes (aggregating 531 acres) and maintenance of the system is provided through facilities owned and maintained by the City of Pasadena. The Kirby-Bend subdivision (39 acres) and the Kirby Lake subdivision (39 acres) are also provided wholesale water service by the City of Pasadena but the subdivision distribution systems are owned and maintained by the Authority.

Water and sanitary sewer service for industrial users located within Bayport is provided by a private provider (non-potable water), City of Pasadena (potable water), and Gulf Coast Authority (wastewater). See "INVESTMENT CONSIDERATIONS – 2013 Legislation."

- Wastewater System -

The Authority's wastewater system is comprised of sanitary sewer collection lines, trunk sewers and 30 sewage lift stations. All wastewater from subdivisions within its boundary, except for Village Grove, Pasadena River Oaks, Santorini Estates, Providence Bayou, Village Grove East, Turtle Creek subdivisions and Village Grove East Townhomes, is treated at the Authority's treatment plant. The Authority furnishes wastewater treatment services to several outside customers, including NASA, which owns and utilizes 0.91 MGD of the Authority's treatment plant capacity. The treatment plant is permitted for 10.0 MGD.

- Drainage System -

The Authority's drainage system is composed of storm sewer pipes that outfall to a series of improved ditches and drainage channels and detention basins. The Authority constructs the ditches, most of which are thereafter maintained by the Harris County Flood Control District. The entire area drains ultimately into Clear Lake and thence into Galveston Bay.

- The Subsidence District -

The Authority (except for the tract in Houston County) is within the Subsidence District, which regulates the withdrawal of groundwater within its jurisdiction. The Authority's authority to pump ground water from its wells is subject to annual permits issued by the Subsidence District. On January 9, 2013, the Subsidence District adopted the 2013 Plan to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. On April 14, 2021, the Subsidence District adopted the Amended 2013 Plan. Under the Amended 2013 Plan, the Authority's groundwater withdrawals must comprise no more than 10% of the Authority's total water demand. A disincentive fee is applied to any groundwater withdrawn that constitutes greater than 10% of the Authority's total water demand. The Authority is in compliance with the Amended 2013 Plan. The issuance of additional bonds by the Authority at some time in the future in an undetermined amount may be necessary to meet such other regulations as the Subsidence District may adopt from time to time.

- 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 a rate of \$0.8490 per 1,000 gallons, which rate may be annually adjusted based upon changes in the operation and maintenance. In addition to water received from the Southeast Water Treatment Plant, the Authority uses its existing water wells to meet peak demands.

Historical Water Consumption Data

The Authority’s water system has met the demand for water production during the past 12 fiscal years as follows:

Fiscal Year Ended	Total Amount of Water Pumped into System in Thousands of Gallons	Total Amount of Water Billed to Customers in Thousands of Gallons	Percent of Water Billed to Water Pumped	Active Meters in Service
2012	3,223,788	2,560,063	81.81%	17,719
2013	3,177,541	2,661,004	86.14%	17,655
2014	2,846,450	2,502,544	90.35%	17,684
2015	2,777,380	2,478,872	91.39%	17,649
2016	2,877,597	2,502,076	89.95%	17,821
2017	3,006,611	2,470,318	86.99%	17,809
2018	2,964,692	2,680,888	90.43%	17,800
2019	2,641,453	2,432,172	92.07%	17,825
2020	2,808,114	2,553,830	90.90%	17,828
2021	2,749,222	2,579,883	93.84%	17,849
2022	3,003,899	2,670,013	88.88%	17,861
2023	3,289,187	2,785,956	84.70%	17,862

Water and Sewer Rates

The rates shown below for water and sewer services furnished to customers of the Authority’s water and sewer system are currently in effect for the Authority.

Water Rates

Residential – Bi-Monthly Billing

First 2,000 gallons.....	\$15.9500 (Minimum)
Next 8,000 gallons.....	\$ 1.4500/1,000 Gals.
Next 10,000 gallons.....	\$ 3.9875/1,000 Gals.
All additional gallons.....	\$ 3.3060/1,000 Gals.

Multi-Family and Commercial – Monthly Billing

First 1,000 gallons.....	\$ 7.9750 (Minimum)
Next 4,000 gallons.....	\$ 1.4500/1,000 Gals.
Next 5,000 gallons.....	\$ 3.9875/1,000 Gals.
All additional gallons.....	\$ 3.3060/1,000 Gals.

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Sewer Rates

The sum of \$2.18 charged each month is included in the minimum rate for each sewer connection to the Authority’s sewer system, regardless of the volume of usage of sewer services, if any, through such connection. The \$2.18 charge for multi-family connection applies per unit.

In addition, the base sewer rate applied shall be \$2.76 per 1,000 gallons of metered sewage flow. When there is no metered sewage flow, the following flow factor is applied to the metered water usage:

Metered Water Usage	Cost/1,000 Gallons of Water Usage	Sewage Return Based Upon % of Metered Usage
Residential - Bi-Monthly Billing		
0 to 2,000 gallons	\$15.9500 Minimum	100%
Next 8,000 gallons	\$1.4500	100%
Next 10,000 gallons	\$2.7550	85%
Next 10,000 gallons	\$2.7550	40%
More than 30,000 gallons	\$2.7550	25%
Multi-Family - Monthly Billing		
0 to 1,000 gallons	\$7.975 Minimum	100%
Next 4,000 gallons	\$1.450	100%
Next 5,000 gallons	\$2.755	85%
More than 10,000 gallons	\$2.755	10%
Commercial - Monthly Billing		
0 to 1,000 gallons	\$7.9750 Minimum	100%
Next 4,000 gallons	\$1.4500	100%
Next 15,000 gallons	\$2.7550	95%
Next 10,000 gallons	\$2.7550	65%
More than 30,000 gallons	\$2.7550	50%

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Historical Operations of the System

The following summary of the Authority's operating fund shows figures for the fiscal years ended September 30, 2019, through September 30, 2023. Such figures were obtained from the Authority's most recent financial statements, attached hereto as "APPENDIX A

<u>Revenues</u>	Fiscal Year Ended September 30				
	2023	2022	2021	2020	2019
Property Taxes	\$ 3,591,017	\$ 3,184,016	\$ 3,052,567	\$ 2,969,950	\$ 2,821,041
Water Service	9,584,192	7,066,657	6,502,209	7,316,197	6,556,114
Wastewater Service	6,243,424	4,518,275	4,472,399	4,507,481	4,398,995
Penalty and Interest	188,585	103,267	93,716	56,018	88,182
Tap Connection and Inspection Fees	42,229	40,858	179,996	263,801	698,468
Insurance, FEMA & Grant Revenues	-	494,105	513,014	180,760	800,658
Service Agreements & Lease Income	686,067	530,699	579,111	473,602	407,792
Investment & Miscellaneous	432,358	83,090	132,551	225,559	429,588
Total Revenues	\$ 20,767,872	\$ 16,020,967	\$ 15,525,563	\$ 15,993,368	\$ 16,200,838
<u>Expenditures</u>					
Payroll	\$ 6,704,823	\$ 6,560,599	\$ 6,176,469	\$ 5,634,914	\$ 5,216,121
Bulk Water Purchases	2,846,485	2,833,566	2,641,553	2,651,025	2,216,560
Professional Fees	674,836	807,850	831,005	969,967	762,329
Utilities	759,794	1,076,438	959,572	803,050	758,827
Repairs and Maintenance	1,702,928	1,257,454	1,291,523	1,306,257	785,856
Other (a)	3,062,959	2,553,990	2,584,757	2,596,121	2,613,401
Capital Outlay	2,932,636	1,153,044	2,910,094	6,003,862	2,542,292
Lease and Interest	188,554	247,144	231,558	223,560	231,431
Total Expenditures	\$ 18,873,015	\$ 16,490,085	\$ 17,626,531	\$ 20,188,756	\$ 15,126,817
Revenues Over Expenditures	\$ 1,894,857	\$ (469,118)	\$ (2,100,968)	\$ (4,195,388)	\$ 1,074,021
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	\$ (78,062)	\$ 78,062	\$ -	\$ 177,341	\$ -
Net Change in Fund Balance	\$ 1,816,795	\$ (391,056)	\$ (2,100,968)	\$ (4,018,047)	\$ 1,074,021
Prior Period Adjustment	\$ 1,141,044	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 9,514,196	\$ 9,905,252	\$ 12,006,220	\$ 16,024,267	\$ 14,950,246
Ending Fund Balance	\$ 12,472,035	\$ 9,514,196	\$ 9,905,252	\$ 12,006,220	\$ 16,024,267

(a) The Authority currently submits payments to the City of Pasadena ("Pasadena"), pursuant to Section 43.0761, Texas Local Government Code, as amended, for the residential developments of Village Grove, Pasadena River Oaks, Santorini Estates, Providence Bayou, Village Grove East, Turtle Creek Subdivisions, and Village Grove East Townhomes ("Pasadena Residential Communities") which are all located within the boundaries of the Authority. The 2024 taxable assessed valuation of the Pasadena Residential Communities is approximately \$385,247,554. The Authority levies and collects taxes on the Pasadena Residential Communities but does not provide water or sewer service to the Pasadena Residential Communities. The residents therein receive their utility services from Pasadena. The Authority remits the entirety of the taxes levied by the Authority on the Pasadena Residential Communities to Pasadena.

Comparison of Connections

Set forth below is a tabular comparison of the total water connections to the Authority's water system during the preceding five (5) fiscal years.

Connections	2023	2022	2021	2020	2019
Water	17,987	17,978	17,994	17,981	17,944
Sewer	17,611	17,604	17,618	17,606	17,568

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the Authority and not of the State of Texas; Harris County, Texas; Houston County, Texas; the Cities of Houston, Pasadena, La Porte, Taylor Lake Village and Webster, Texas; or any entity other than the Authority. The Bonds will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Authority. The Bonds are further payable from, and secured by, a pledge of Net Revenues, if any, of the System. It is not expected that Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds.

Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the Authority to collect from the property owners within the Authority taxes levied against all taxable property located within the Authority, or, in the event taxes are not collected and foreclosure proceedings are instituted by the Authority, upon the value of the taxable property with respect to taxes levied by the Authority and by other taxing authorities. The Authority makes no representations that over the life of the Bonds the property within the Authority will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of Authority property is directly related to the economics of the residential and commercial building industry, not only due to general economic conditions, but also due to the particular factors discussed below.

2013 Legislation

House Bill 1324 (“HB 1324”), signed by the Governor and effective September 1, 2013, amended the procedure in Section 49.3076 of the Texas Water Code for excluding land from certain water districts that do not provide water and wastewater service to such land within its boundaries. The prior law allowed the board of directors of a district that has a total area of more than 10,000 acres discretion to exclude land that has not been provided retail utility services. HB 1324 removes the board of directors’ discretion and requires exclusion of land in districts containing greater than 10,000 acres if (i) the board of directors receives a written petition from a landowner; and (ii) the land had been taxed by a district for greater than 20 years if the district does not provide retail utility service to the land. The owners of such excluded land are liable for taxes on outstanding tax-supported debt (including debt to refund outstanding debt) on the date of the petition until the excluded land’s share of the district’s outstanding debt is paid and such land remains in the district for the limited purpose of assessment and collection of such taxes until the excluded land payment is satisfied.

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 and for Kaneka’s payment of its share of the Authority’s outstanding debt. All land owned by Kaneka (approximately 193 acres) has been excluded from the Authority and is not included on the Appraisal District’s record of property ownership within the Authority.

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.

There are additional landowners that could seek exclusion of its land from the boundaries of the Authority under HB 1324, including the Pasadena Residential Communities with properties consisting of approximately \$385,247,554 of Authority’s 2024 taxable assessed valuation. See “TAX DATA – Analysis of Tax Base.” While such parties seeking exclusion would be responsible for the debt service taxes on the Bonds and the Outstanding Bonds, the Authority may have to increase its maintenance and operation taxes, subject to voter approval, or its retail utility rates to address any shortfall in funding. Additionally, as of the date of the petition requesting exclusion, any excluded land will not be pledged to the security of any additional bonds issued after the date of the petition.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: During the initial stages of the Clear Lake City area development, the area was dependent on NASA and its related industries. Although NASA employment peaked in 1972, the area economy has

continued to grow, reflecting a substantial increase in new and diversified industries. However, NASA-related industries continue to be an important part of the area economy, and the Authority cannot predict if there will be any reduction in federal funding for NASA or other curtailment of activity related to NASA.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the Authority are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the Authority. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Authority.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues: Water supply and discharge regulations that municipal utility districts, including the Authority, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The Authority is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The Authority has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the Authority continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the Authority, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The Authority must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the Authority require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of

municipal utility districts, including the Authority, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Recent Extreme Weather Events

The Clear Lake area experienced an extreme rain event in May 2015 that caused some high-water issues; however, the impact of this rain event on the Authority was minimal as there was no major damage to its water, sanitary, and storm infrastructure and systems.

The Greater Houston area, including the Authority, also experienced high levels of rainfall with the arrival of Hurricane Harvey on August 25, 2017, and over the succeeding four (4) days. The Authority received over 40 inches of rain within five (5) days. Approximately 175 homes within the Authority incurred water damage, which amount represents less than 1% of the overall connections within the Authority. During the rain event resulting from Hurricane Harvey, one (1) of the Authority's 30 lift stations was overcome by high water and one (1) auxiliary pump was placed at the site after the water had receded to keep up with demand. The wastewater treatment plant incurred minimal damage to its UV disinfection system; however, due to redundancy it never lost disinfection capabilities. Accordingly, the Authority's system did not sustain any significant damage.

In February 2021 an unusual hard freeze was experienced, disrupting electricity and water operations across Texas. The Authority had minimal damage to its infrastructure, mostly limited to the Wastewater Treatment Plant. There was a temporary outage of water from the Authority's main supplier, the Southeast Water Purification Plant. Within the Authority's system, water wells running on generator or auxiliary power and elevated storage tanks were utilized. A boil water notice was issued due to low water pressure. Once water pressure was restored, all water testing came back clear, and the boil water notice was rescinded. Additional measures have been and are being put in place to add more generators at all water well locations. Since February 2021, the Authority has installed generators at Water Plant No. 1 and Water Well No. 2. Generators are currently being installed at Water Plant No. 2 and Water Plant No. 7.

The Gulf Coast region where the Authority is located is subject to occasional destructive weather events, and there is no assurance that taxable property within the boundaries of the Authority and the Authority's water, sanitary, and storm systems will not suffer damages from such destructive weather events in the future. See "INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disasters."

Potential Impact of Natural Disasters

The Authority is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the Authority, the assessed valuation of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed valuation of the Authority or an increase in the Authority's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the Authority that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which taxable assessed valuations in the Authority would be adversely affected. There can be no assurance the Authority will not sustain damage from weather-related events.

Specific Flood Type Risks

The Authority may be subject to the following flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee, or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou, or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam, or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee, or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

Coastal (or Storm Surge) Flood: Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous, and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect January 1, 2018, and the new and amended City of Houston regulations took effect September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in and around the Authority as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Future Construction Projects to Help Mitigate Flooding

In 2015, the Authority started the first phase of a five (5)-phase project known as the Exploration Green Detention Facility that will result in 178 acres of additional detention within the boundaries of the Authority. During Hurricane Harvey, the first phase of the Exploration Green Detention Facility project was approximately 80% complete, detained an estimated 50 million gallons of water, and helped alleviate flooding in areas that normally flood during lesser rain events. Construction of the final phase of the Exploration Green Detention Ponds project has been completed and all the Exploration Green Detention Ponds combined are able to detain over 500 million gallons of water.

Construction of the project known as the Meadowgreen Section 1 Improvements was completed in June 2023, and will help mitigate flooding within Meadowgreen Section 1 (where approximately 60 homes flooded during Hurricane Harvey). The Authority has commenced plans to install submersible pumps and elevate the control panels for the one (1) lift station that was submerged during Hurricane Harvey and has completed measures to protect the UV disinfection equipment at the wastewater treatment plant. As part of the Wastewater Treatment Plant Lift Station Improvements project, the new lift station has been designed to better withstand flooding by installing submersible pumps and the new electrical controls will be installed on an elevated platform.

The Authority's infrastructure and systems incurred minimal damage, after observation and review, due to the rain event of May 2015, Hurricane Harvey in 2017, Tropical Storm Imelda in 2019, and Hurricane Beryl in 2024. Further, due to the completion of the detention project known as Exploration Green Detention Ponds, a greater amount of detention capacity is available to help mitigate future extreme rain events.

Atlas 14 Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Authority may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the Authority. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the Authority to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the Authority to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waiver of such immunity by the Texas Legislature a default by the Authority in its covenants in the Bond Order may not be reduced to a judgment for money damages. Although the Registered Owners could obtain a judgment against the Authority, such a judgment could not be enforced by a direct levy and execution against the Authority's property. Further, the Registered Owners cannot themselves foreclose on property within the Authority or sell property within the Authority in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Authority. In this regard, should the Authority file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Authority to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Bankruptcy Limitation to Registered Owners' Rights."

Subject to the requirements of Texas law, the Authority may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901–946. Under Texas law, the Authority must obtain the approval of the TCEQ prior to filing bankruptcy. In the event of a bankruptcy filing, the rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the Authority's debt.

Future Debt

Following the issuance of the Bonds, \$397,897 principal amount of unlimited tax and revenue bonds authorized by the Authority's voters at an election held on November 8, 2016, for the purpose of repairing, rehabilitating, and making capital improvements to the Authority's existing water, wastewater, and drainage facilities, \$50,322,483 principal amount of unlimited tax refunding bonds authorized by voters at an election held on November 3, 2009, \$132,000,000 principal amount of unlimited tax refunding bonds authorized by the Authority's voters at an election held on November 8, 2016, and \$74,368,728 principal amount of unlimited tax and revenue bonds for the purpose of repairing, rehabilitating, and making capital improvements to the Authority's water, wastewater, and drainage facilities authorized by the Authority's voters at an election held on May 7, 2022, will remain authorized but unissued. The Authority reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the Authority.

Marketability of the Bonds

The Authority has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds, and the Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold' and traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the Authority to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives, or litigation.

Bond Insurance Risk Factors

The purchase of a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds is optional. The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority which is recovered by the Authority from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absent such prepayment by the Authority unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to

any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATING."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Authority or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinions

The Authority will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding Bonds of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, with respect to the Bonds issued in compliance with the provisions of the Bond Order. The Authority will also furnish the opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the federal alternative minimum tax.

Bond Counsel was engaged by the Authority. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the factual information contained herein. In its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or sub-captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws," "THE BONDS," "THE AUTHORITY – General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX EXEMPTION," and "CONTINUING DISCLOSURE OF INFORMATION" and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and sub-captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel will not express any opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, "S" corporations with "subchapter C" earnings and profits, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

No-Litigation Certificate

The Authority will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and the Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the Authority contesting or attacking the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the Authority or the titles of the then present officers of the Board.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Authority to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the Authority subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX EXEMPTION

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income

tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

NOT Qualified Tax-Exempt Obligations

The Authority has NOT designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the Authority during the calendar year 2025, including the Bonds, will exceed \$10,000,000.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The Authority will provide certain updated financial information and operating data to the MSRB.

The information to be updated with respect to the Authority includes all quantitative financial information and operating data of the general type included in this Official Statement under the heading "AUTHORITY DEBT" (except under the subheading "- Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The Authority will update and provide this information to EMMA within six (6) months after the end of each of its fiscal years.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 of the Securities Exchange Act (the "Rule"). The updated information will include audited financial statements, if the Authority commissions an audit and the audit is timely completed. If not timely completed, then the Authority shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6)-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless it changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB through EMMA.

Event Notices

The Authority will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The Authority will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the Authority or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the Authority or other obligated person within the meaning of the Rule, other than in the ordinary course of business or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect bondholders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Authority, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term

“financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The Authority has agreed to provide the foregoing notices to the MSRB. The Authority is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure covenants, or from any statement made pursuant to its covenants, although holders of the Bonds may seek a writ of mandamus to compel the Authority to comply with its covenants.

The Authority may amend its continuing disclosure covenants to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the Authority, but only if the covenants, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, if nationally recognized bond counsel determines that the amendment will not materially impair the interests of the holders of the Bonds. The Authority may also amend or repeal the covenants if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the Authority so amends the covenants, it has agreed to include with any financial information or operating data next provided in accordance with its covenants described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Except for the following, during the last five (5) years, the Authority has complied in all material respects with all continuing disclosure covenants made by it in accordance with the Rule:

On December 17, 2019, the Authority defeased \$7,570,000 of the Authority’s \$6,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 and \$4,305,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012A, and a notice of defeasance was not filed. On January 30, 2020, a notice of redemption was filed related to such defeasance.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the Authority’s records, the Engineer, the principal landowners, the Tax Assessor/Collector, the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders, and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions “THE BONDS,” “TAXING PROCEDURES,” “THE AUTHORITY – General,” “LEGAL MATTERS – Legal Opinions,” “TAX EXEMPTION,” and “CONTINUING DISCLOSURE OF INFORMATION.” Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the Authority for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement in the section entitled “APPENDIX A” has been provided by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and has been included herein in reliance upon such firm’s expertise in the fields of auditing and accounting. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Experts

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned “THE AUTHORITY” and “THE SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned “TAX DATA” has been provided by the Harris Central Appraisal District and the Authority’s Tax Assessor/Collector, and has been included in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the Authority learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the Authority will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Authority to so amend or supplement the Official Statement will terminate when the Authority delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the Authority on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Authority’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Authority delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

The Authority, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, the information, statements, and descriptions pertaining to the Authority and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the Authority, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the Authority has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Concluding Statement

The information set forth herein has been obtained from the Authority’s records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and

resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Clear Lake City Water Authority as of the date shown on the cover page hereof.

/s/ _____
President, Board of Directors
Clear Lake City Water Authority

ATTEST:

/s/ _____
Secretary, Board of Directors
Clear Lake City Water Authority

APPENDIX A
Financial Statements of the Authority

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

CLEAR LAKE CITY WATER AUTHORITY

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Clear Lake City Water Authority (the "Authority") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Clear Lake City Water Authority

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 8, 2024

CLEAR LAKE CITY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$146,366,607 as of September 30, 2023. This compares with assets and deferred outflows of resources exceeding liabilities by \$132,809,813 as of September 30, 2022. A portion of the Authority's assets reflects its net investment in capital assets (buildings and equipment as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

*

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

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

* As Adjusted, Note 15

*

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

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS

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

The Authority's capital assets as of September 30, 2023, total \$208,442,167 (net of accumulated depreciation). Capital asset activity during the current fiscal year included the following:

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

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

CAPITAL ASSETS (Continued)

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

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

LONG-TERM DEBT ACTIVITY

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

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

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

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

LONG-TERM DEBT ACTIVITY (Continued)

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

CONTACTING THE AUTHORITY'S MANAGEMENT

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

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

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

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

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

* See Reconciliation on page 14 and Note 2

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

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

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

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

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

* See Reconciliation on page 14 and Note 2

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

**CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

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

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 1,027,595

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

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

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

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

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

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

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CLEAR LAKE CITY WATER AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

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

* See Reconciliation on page 17 and Note 2

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

CLEAR LAKE CITY WATER AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Change in Fund Balances - Governmental Funds	\$ 19,408,261
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	45,776
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	17,047
Governmental funds do not account for depreciation and amortization. However, amortization and depreciation expense of capital assets and right-of-use assets is recorded in the Statement of Activities.	(4,344,622)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	18,493,475
Governmental funds report bond premiums and discounts as other financing sources and uses. However, in the Statement of Net Position, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	450,501
Governmental funds report the repayment of leases as expenditures. However, in the Statement of Net Position, lease principal payments decrease the related long-term liability.	139,854
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	6,230,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	116,502
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(27,000,000)</u>
Change in Net Position - Governmental Activities	<u>\$ 13,556,794</u>

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

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

NOTE 1. CREATION OF AUTHORITY

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2023, the Debt Service Fund owed the General Fund \$1,330,799 for operating expenses, \$3,092,888 for maintenance tax revenues, and \$19,390 for bond related costs; the Capital Projects Fund owed the General Fund \$42,178 for construction costs; and the General Fund owed the Capital Projects Fund \$53,632 for construction related costs. The General Fund transferred \$78,062 to the Debt Service Fund to reimburse for bond issuance costs paid in the prior fiscal year.

Capital and Right-of Use Assets

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded on the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year. The Authority's inventory balance as of September 30, 2023, was \$441,292.

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Board has committed the year-end General Fund fund balance as follows - \$250,000 for unbudgeted major repairs of facilities, and \$1,654,609 for emergencies. See also Note 8 for information related to the sick leave fund balance commitment.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

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

NOTE 3. LONG-TERM DEBT

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

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

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

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

NOTE 3. LONG-TERM DEBT (Continued)

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

* Or any date thereafter, as a whole or from time to time in part, at a price equal to the par value thereof, plus accrued interest to the date fixed for redemption. Series 2023 term bonds due March 1, 2045 and March 1, 2048, are subject to mandatory redemption beginning on March 1, 2044 and March 1, 2046, respectively.

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

NOTE 3. LONG-TERM DEBT (Continued)

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

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

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

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

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

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

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

NOTE 3. LONG-TERM DEBT (Continued)

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

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

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

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

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

At fiscal year end, the carrying amount of the Authority’s deposits was \$6,402,110 and the bank balance was \$6,819,566. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2023, as listed below:

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

Investments

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

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Board of Directors. Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. The Authority has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

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

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

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

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the Authority's investment in TexPool was rated AAAM by Standard and Poor's.

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

Restrictions

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

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

NOTE 6. CAPITAL ASSETS

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

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

The sanitary sewer laterals and trunk lines are accounted for using the modified approach. The condition of the Authority's sanitary sewer lateral and trunk system is determined using a condition assessment methodology. The Authority uses a numerical condition scale ranging from 1.00 (new) to 5.00 (severe deficiency with no useful life remaining). It is the Authority's policy to keep 75% of the system in level 3.00 or better condition. The condition assessments as of September 30, 2023, September 30, 2022, and September 30, 2021, were 2.47, 2.38, and 2.29, respectively.

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

NOTE 6. CAPITAL ASSETS (Continued)

The following is a summary of the condition levels of the individual subdivision sanitary sewer laterals and trunks as of September 30, 2023:

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

Comparison of Estimated to Actual Maintenance/Preservation Costs

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

NOTE 7. RETIREMENT PLAN

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

NOTE 8. SICK LEAVE

The Authority has a sick leave policy whereby sick leave accrues at the rate of one day per month for each employee. Retiring employees and those terminated without cause may be paid for their unused sick leave upon termination of employment. The Authority has designated an investment account to cover the potential cost of this benefit to its employees; therefore, no liability has been recorded in the financial statements. Sick leave is recorded as an expenditure only when paid. As of the balance sheet date, \$352,512 of the General Fund fund balance has been committed for this future obligation.

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

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS

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

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

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

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

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

<u>Year</u>	<u>Allocable Debt</u>
2024	\$ 3,689
2025	3,696
2026	3,704
2027	3,706
2028	3,717
2029	3,717
2030	3,720
2031	3,722
2032	3,734
2033	3,740
2034	3,758
2035	3,764
2036	2,051
2037	2,058
2038	<u>2,070</u>
TOTAL	<u>\$ 50,846</u>

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

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

NOTE 9. EXCLUSION CONTRACTS AND SERVICE AGREEMENTS (Continued)

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

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

NOTE 10. WATER SUPPLY CONTRACT

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

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

NOTE 11. RISK MANAGEMENT

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

NOTE 12. DRAINAGE PARTICIPATION AGREEMENT

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

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

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

NOTE 13. GENERATOR LEASE

The Authority executed an agreement with NRG Energy Services LLC (“NRG”) dated November 10, 2011, for the lease of nine generators. Originally, the lease payments were treated as an operating lease. With the implementation of GASB Statement No. 87 in the current fiscal year, the Authority recorded a right-of-use asset and related lease liability on its books for the generators. The lease liability was measured using the remaining lease term and discount rate (4.25%) as of the beginning of the current period and the right-of-use asset was measured based on the lease liability at that date which resulted in no restatement of the beginning net position since both amounts were the same (\$1,622,200). At the time the agreement was executed, the Authority elected to make a buy down payment of \$800,000 to reduce the monthly lease payments. This amount, plus the beginning of period right-of-use assets of \$1,622,200, are included in the right-of-use assets in the schedule below and being amortized over 20 years. Current year activity is summarized below:

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

Monthly service fees for the 1st, 2nd, 3rd, and 4th five-year terms of the agreement are \$20,880, \$18,630, \$14,130 and \$11,880, respectively. The Authority made 12 lease payments during the current fiscal year totaling \$188,554, of which \$139,854 was principal and \$48,700 was interest. The changes in lease liability during the current fiscal year are summarized as follows:

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

Future lease payments, are summarized in the following table:

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

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

NOTE 14. BOND SALE

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

NOTE 15. PRIOR PERIOD ADJUSTMENT

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

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

CLEAR LAKE CITY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

CLEAR LAKE CITY WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

See accompanying independent auditor's report.

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

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

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective November 1, 2022.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 15.95	2,000	N	\$ 1.45	2,001 to 3,000
				1.45	3,001 to 4,000
				1.45	4,001 to 5,000
				1.45	5,001 to 6,000
				1.45	6,001 to 7,000
				1.45	7,001 to 8,000
				1.45	8,001 to 9,000
				1.45	9,001 to 10,000
				3.99	10,001 to 20,000
				3.31	20,001 and up
WASTEWATER:	\$ 15.95	2,000	N	\$ 1.45	2,001 to 3,000
				1.45	3,001 to 4,000
				1.45	4,001 to 5,000
				1.45	5,001 to 6,000
				1.45	6,001 to 7,000
				1.45	7,001 to 8,000
				1.45	8,001 to 9,000
				1.45	9,001 to 10,000
				3.99	10,001 to 20,000
				3.31	20,001 and up

SURCHARGE: N/A

Authority employs winter averaging for wastewater usage? X
Yes No

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

Total monthly charges per 10,000 gallons usage: Water: \$27.55 Wastewater: \$27.55* Surcharge \$-0-

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

See accompanying independent auditor's report.

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

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

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

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

Gallons pumped into system:	3,289,187,000	Water Accountability Ratio: 84.7% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	2,582,263,000	
Gallons purchased:	3,835,604,000	From: <u>City of Houston, Texas and City of Pasadena, Texas</u>
Gallons sold:	203,693,000	To: <u>Harris County Water Control and Improvement District No. 156 and Harris County Water Control and Improvement District No. 161</u>

See accompanying independent auditor's report.

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

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

Does the Authority have Debt Service standby fees? Yes No

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

5. LOCATION OF AUTHORITY:

Is the Authority located entirely within one county?

Yes No

Counties in which Authority is located:

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

Is the Authority located within a city?

Entirely Partly Not at all

Cities in which Authority is located:

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

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

Entirely Partly Not at all

ETJ's in which Authority is located:

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

Are Board Members appointed by an office outside the Authority?

Yes No

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

CLEAR LAKE CITY WATER AUTHORITY
INVESTMENTS
SEPTEMBER 30, 2023

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1/ September 1	Total
2024	\$ 560,000	\$ 314,175	\$ 874,175
2025	580,000	297,075	877,075
2026	600,000	279,375	879,375
2027	620,000	261,075	881,075
2028	640,000	242,175	882,175
2029	660,000	222,675	882,675
2030	685,000	202,500	887,500
2031	705,000	181,650	886,650
2032	730,000	160,125	890,125
2033	750,000	137,925	887,925
2034	775,000	115,050	890,050
2035	805,000	91,350	896,350
2036	830,000	66,825	896,825
2037	855,000	41,016	896,016
2038	885,000	13,828	898,828
2039			
2040			
2041			
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2048			
	<u>\$ 10,680,000</u>	<u>\$ 2,626,819</u>	<u>\$ 13,306,819</u>

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

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

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

See accompanying independent auditor's report.

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

ANNUAL REQUIREMENTS
FOR ALL SERIES

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

RECONCILIATION OF BONDS ISSUED:

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

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

See accompanying independent auditor's report.

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

RECONCILIATION OF BONDS ISSUED: (Continued)

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

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

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

See accompanying independent auditor's report.

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

See accompanying independent auditor's report.

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

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

Authority Telephone Number - (281) 488-1164

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2023	Expense Reimbursements for the year ended September 30, 2023	Title
John B. Branch	11/2020 05/2024 (Elected)	\$ 2,400	\$ -0-	President/ Investment Officer
Robert T. Savely	11/2020 05/2024 (Elected)	\$ 4,600	\$ -0-	Vice President
Thomas Morrow	05/2022 05/2026 (Elected)	\$ 4,800	\$ -0-	Secretary
Anthea Guest	05/2022 05/2026 (Elected)	\$ 5,100	\$ -0-	Director
John Graf	11/2020 05/2024 (Elected)	\$ 4,700	\$ -0-	Director

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

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

See accompanying independent auditor’s report.

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

Key Administrative Personnel:	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ending September 30, 2023</u>	<u>Title</u>
Jennifer Morrow	05/17/98	\$ 166,561	General Manager/ Treasurer
Curtis Rodgers	01/16/86	\$ 121,753	Director of Utilities
Yazmin Garay	03/06/17	\$ 69,174	Tax Assessor/ Collector
Dean McGee	01/01/21	\$ 102,024	Finance Director
Consultants:			
Coats Rose, P.C.	08/13/15	\$ 76,392	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/31/96	\$ 64,146	Audit and Bond Related
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/11/10	\$ 51,848	Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/28/01	\$ 39,849	Delinquent Tax Attorney
Lockwood, Andrews & Newman, Inc.	12/18/97	\$ 3,058,895	Engineer
Robert W. Baird & Co.	02/12/15	\$ 161,675	Financial Advisor

See accompanying independent auditor's report.

