

Coastal Water Authority

Financial Report

December 31, 2019

Coastal Water Authority

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Table of Contents

Page

Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Statement of Net Position.....	8
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows.....	11
Notes to the Financial Statements.....	13
Required Supplementary Information	
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios (Unaudited)	34
Other Supplementary Information	
Schedule I – Schedule of Net Position by System	36
Schedule II – Schedule of Revenues, Expenses, and Changes in Net Position by System.....	38
Schedule III – Schedule of Revenues, Expenses, and Changes in Net Position – Budgetary and Actual (Cash Basis) – All Systems (Unaudited).....	40

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Independent Auditor's Report

To the Board of Directors of
Coastal Water Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Coastal Water Authority (CWA) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CWA as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors of
Coastal Water Authority

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information included in Supplemental Schedules I, II and III, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The information in Supplemental Schedules I and II is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information in Supplemental Schedules I and II has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 in Supplemental Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

The information included in Supplemental Schedule III has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
April 8, 2020

Management's Discussion and Analysis

As management of Coastal Water Authority (CWA), we offer readers of CWA's financial statements this narrative overview and analysis of the financial activities of CWA for the fiscal year ended December 31, 2019. Please read this discussion and analysis in conjunction with CWA's basic financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of CWA exceed its liabilities at the close of the most recent fiscal year by \$239 million.
- CWA's total net position increased by \$6 million. This increase is primarily the result of the contributions by the City of Houston (the City). The City subsidizes certain expenses; however, these reimbursements are based on cash basis expenditures, and therefore, the effects of accrual items and non-cash expenses such as depreciation are not matched with cash amounts.
- Revenues decreased by \$1.6 million.
- Expenses decreased by \$0.5 million.
- Construction in progress increased by \$51 million.
- Long-term liabilities increased by \$2.5 million is mostly due to the payment and amortization of debt of \$7.3 million and an increase in interest payable of \$9.5 million.

Overview of the Financial Statements

The financial section of this annual report consists of two major parts: Management's Discussion and Analysis and the basic financial statements.

The financial statements provide both long-term and short-term information about CWA's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CWA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units on an accrual basis. Under this, revenues are recognized in the period in which they are earned, and expenses are recognized in the period which they are incurred.

The Statement of Net Position includes all assets and liabilities associated with the operations of CWA. The Statement of Revenues, Expenses and Changes in Fund Net Position (Equity) reports CWA's net position and how it has changed. Net position is the difference between the sum of CWA's assets and any deferred outflows of resources and the sum of liabilities and any deferred inflows of resources.

Financial Analysis of CWA

Coastal Water Authority's Net Position – Table 1

	2019	2018	Change
Current assets	\$ 149,952,440	\$ 201,516,117	\$ (51,563,677)
Capital assets, net	513,104,653	465,294,353	47,810,300
Other noncurrent assets	55,377,188	46,545,828	8,831,360
Total assets	718,434,281	713,356,298	5,077,983
Total deferred outflows of resources	73,281	78,177	(4,896)
Current liabilities	22,329,770	25,123,920	(2,794,150)
Long-term liabilities	456,931,937	455,091,155	1,840,782
Total liabilities	479,261,707	480,215,075	(953,368)
Net position:			
Net investment in capital assets	179,652,471	167,031,632	12,620,839
Restricted	19,286,577	18,813,819	472,758
Unrestricted	40,306,807	47,373,949	(7,067,142)
Total net position	\$ 239,245,855	\$ 233,219,400	\$ 6,026,455

At December 31, 2019, the decrease in current assets is primarily related to the decrease in cash resulting from capital project acquisitions related to the ongoing Luce Bayou Interbasin Transfer Project (Luce Bayou Project). The increase in other noncurrent assets is due to an increase in long-term loan receivables from the City for the Luce Bayou Project. The increase in long-term liabilities is primarily related to the Luce Bayou Project and the TWDB loans that closed during the year.

Net position may, over time, serve as a useful indicator of a government's financial position. In the case of CWA, assets plus deferred outflows of resources exceeded the liabilities and any deferred inflows of resources by \$239 million at the close of 2019. By far the largest portion of CWA's net position (75%) reflects its investment in capital assets (e.g. land, water systems, vehicles, equipment and construction in progress). CWA utilizes these assets to deliver surface water (river water) to its end users, the City and its contracted water customers.

The ratio of current assets to cover current liabilities is a strong indicator of an ability to manage day-to-day expenses. As of December 31, 2019, that ratio was approximately 7:1. The ratio of total assets to total liabilities, in the absence of any deferred outflows and deferred inflows of resources, was approximately 1.5:1. These strong ratios reflect CWA's stable financial condition both in the short-term as well as in the long-term outlook.

Coastal Water Authority's Change in Net Position – Table 2

	2019	2018	Change
Total operating revenues	\$ 27,305,791	\$ 28,994,968	\$ (1,689,177)
Total operating expenses	(33,424,278)	(33,906,474)	482,196
Total non-operating revenues (expenses)	(10,389,543)	(9,123,161)	(1,266,382)
Excess (deficiency) of revenues over (under) expenses	(16,508,030)	(14,034,667)	(2,473,363)
Capital contributions	22,534,485	19,611,422	2,923,063
Change in net position	6,026,455	5,576,755	449,700
Net position beginning of year	233,219,400	227,642,645	5,576,755
Net position at end of year	\$ 239,245,855	\$ 233,219,400	\$ 6,026,455

During 2019, the decrease in operating revenues is due to a decrease in water usage for the City of Houston. The decrease in operating expenses is due to a decrease in engineering expenses not considered capital projects. The increase in non-operating expenses is due to scheduled interest payments for debt. The increase in contributions provided by the City is primarily due to an increase in debt service payments made on CWA's behalf by the City.

Capital Assets and Debt Administration

Capital assets: CWA's capital assets as of December 31, 2019, totaled \$513 million (net of accumulated depreciation). Capital assets include land, intangibles, water systems, vehicles, equipment, other, and construction in progress. Major capital asset events during the year included the following:

- Approximately \$53 million increase in construction on Luce Bayou Project new water systems.

Additional information on CWA's capital assets can be found in Note 8.

Long-term debt: At the end of 2019, CWA had total long-term debt outstanding of \$420 million. A portion (\$61 million) of this amount is backed by the Trinity River Projects Contract with the City. The bonds are secured by a first lien on, and a pledge of gross revenues of, the City's water and wastewater systems. The remaining \$359 million is backed by the Luce Bayou Project with the City. These bonds (loans) are secured by a pledge on the City's Combined Utility Systems Fund.

Outstanding Debt at Year-End – Bonds and Loans Payable

	2019	2018	Change
Revenue and refunding bonds (net)	\$ 114,961,867	\$ 122,293,834	\$ (7,331,967)
Long-term loans (TWDB)	304,574,000	304,574,000	-
Balance at end of year	\$ 419,535,867	\$ 426,867,834	\$ (7,331,967)

Additional information on CWA's long-term debt can be found beginning with Note 9.

Economic Factors and Next Year's Budget and Rates

The demand for water delivered by the Coastal Water Authority has remained steady during the past few years and is expected to continue at the current rate for the next year or two. This steady water demand is occurring even as the regional overall situation is being negatively impacted by the oil and gas markets.

CWA continues to develop the final design and construction of a second Trinity River Conveyance System (the Luce Bayou Interbasin Transfer Project) that is scheduled to be completed in 2020. This will provide additional surface water for portions of the Houston regional area that are required to reduce their reliance on ground water sources.

Request for Information

The financial report is designed to provide our residents, customers, investors and creditors with 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 Coastal Water Authority, 1801 Main Street, Suite 800, Houston, Texas 77002.

Basic Financial Statements

Coastal Water Authority

Statement of Net Position

December 31, 2019

ASSETS

Current assets - unrestricted:

Cash	\$	6,900,916
Investments		25,483,144
Receivables:		
Accounts receivable from City of Houston		5,302,952
Accounts receivable from other customers		508,019
Prepaid expense		10,325
Compensable absences current portion		135,519
Current portion loan receivable from City of Houston		595,722
		<hr/>
Total receivables		6,552,537
		<hr/>
Total current assets - unrestricted		38,936,597

Current assets - restricted:

Cash - restricted for contingencies		39,055
Cash - restricted for debt service		82,017
Cash - restricted for capital projects		87,471,861
Investments - restricted for contingencies		4,965,452
Investments - restricted for debt services		8,192,996
Investments - restricted for capital projects		10,264,462
		<hr/>
Total current assets - restricted		111,015,843

Capital assets, net		513,104,653
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Other assets:

Interest receivable from City of Houston		36,929,787
Obligation for compensable absences		2,574,865
Long-term loan receivable from City of Houston		15,872,536
		<hr/>
Total other assets		55,377,188

Total assets		718,434,281
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Deferred outflows of resources		73,281
		<hr/>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	718,507,562
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The Notes to the Financial Statements are an integral part of this statement.

Coastal Water Authority

Statement of Net Position – Continued

December 31, 2019

LIABILITIES AND NET POSITION

Current liabilities - unrestricted:

Accounts payable	\$ 2,738,537
Retainage payable	434,693
Compensable absences - current	<u>135,519</u>

Total current liabilities - unrestricted 3,308,749

Current liabilities - restricted:

Accounts payable	5,801,636
Retainage payable	5,489,590
Current portion of bonds payable	7,555,000
Bond interest payable	<u>174,795</u>

Total current liabilities - restricted 19,021,021

Long-term liabilities:

Bonds payable	107,406,867
Long-term loan	304,574,000
Interest payable	37,044,262
Compensable absences payable	2,574,865
Other postemployment benefits	<u>5,331,943</u>

Total long-term liabilities 456,931,937

Total liabilities 479,261,707

NET POSITION

Net investment in capital assets 179,652,471

Restricted for:

Contingencies, net of restricted liabilities	5,004,507
Debt service	7,985,743
Operations reserves	6,296,327
Unrestricted	<u>40,306,807</u>

Total net position 239,245,855

TOTAL LIABILITIES AND NET POSITION

\$ 718,507,562

The Notes to the Financial Statements are an integral part of this statement.

Coastal Water Authority

Statement of Revenues, Expenses, and Changes in Fund Net Position Year Ended December 31, 2019

OPERATING REVENUES

Funds provided by City of Houston	\$ 23,360,419
Funds provided by San Jacinto River Authority	194,125
Service revenues	3,751,247

Total operating revenues 27,305,791

OPERATING EXPENSES

Utilities	6,723,075
Field salaries	6,167,097
Administrative	2,923,368
General operating	2,496,083
Materials and supplies	3,407,926
Engineering, legal, and professional	1,030,455
Contract labor and equipment	4,177,356
Depreciation expense	6,498,918

Total operating expenses 33,424,278

Operating loss (6,118,487)

NON-OPERATING REVENUES (EXPENSES)

Investment income	3,583,624
Interest income	679,941
Bond interest expense, net of amortization of bond issues	(3,473,733)
Gain on sale of capital assets	80,921
Loan interest expense	(11,748,533)
Other income	488,237

Net non-operating revenues/(expenses) (10,389,543)

Loss before contributions (16,508,030)

CONTRIBUTIONS PROVIDED BY CITY OF HOUSTON

22,534,485

Change in net position 6,026,455

Net position - beginning 233,219,400

NET POSITION - ENDING

\$ 239,245,855

Coastal Water Authority
Statement of Cash Flows
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from municipalities	\$ 22,695,846
Cash received from customers	3,926,147
Cash payments to employees and suppliers for goods and services	(29,996,551)
	<hr/>
Net cash used in operating activities	(3,374,558)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(54,370,988)
Proceeds from sale of capital assets	142,691
Advance to City of Houston	572,864
	<hr/>
Net cash used in capital and related financing activities	(53,655,433)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investment securities	(446,663,822)
Proceeds from maturities and sales of investment securities	456,735,652
Investment income	4,392,387
Other income	488,237
	<hr/>
Net cash provided by investing activities	14,952,454
	<hr/>
Net decrease in cash	(42,077,537)
Cash at beginning of year	136,571,386
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CASH AT END OF YEAR	\$ 94,493,849
	<hr/> <hr/>
CASH, UNRESTRICTED	\$ 6,900,916
Cash, restricted	87,592,933
	<hr/>
TOTAL CASH	\$ 94,493,849
	<hr/> <hr/>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (6,118,487)
Adjustments to reconcile operating loss to net cash used in by operating activities:	
Depreciation	6,498,918
Changes in assets and liabilities:	
Receivables, net	(683,798)
Prepaid expense	(10,325)
Accounts payable	(1,434,772)
Retainage payable	(2,036,567)
Other postemployment benefits liability	410,473
	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,374,558)
	<hr/> <hr/>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest and principal payments made by City of Houston	\$ 22,534,485
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The Notes to the Financial Statements are an integral part of this statement.

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Coastal Water Authority

Notes to the Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Reporting Entity

In 1967, an act of the State of Texas Legislature (the Act) created Coastal Water Authority (CWA, or the Authority) as a conservation and reclamation district and political subdivision of the State of Texas covering a part of southwest Liberty County, southwest Chambers County, and most of Harris County. Under the Act, the primary purpose of creating CWA is to provide an agency to finance and construct a water conveyance and distribution system to transport surface water from Lake Livingston and the Trinity River into the above mentioned counties. CWA is also charged with conveying water to a point where it will be available for Galveston County. CWA is authorized to issue revenue bonds, improvement bonds, and special project bonds for the purpose of constructing or acquiring additional facilities that would enable CWA to distribute water to other customers.

In 2005, the Act was amended. Under the amended legislation, CWA may become involved in desalinization and reclamation projects, create a nonprofit corporation to aid and act on behalf of CWA in implementing a CWA project, and develop and generate electric energy with wind turbines or hydroelectric facilities to be used by CWA or the City of Houston, Texas. CWA may also incur indebtedness, such as bond anticipation notes, or other bonds, for the purpose of improving rivers, creeks, and streams to aid in and prevent overflows.

In 2011, the Act was further amended, clarifying CWA's authority to participate in wetland mitigation under Chapter 221, Natural Resources Code.

B. Related Organizations

The City of Houston, Texas (the City) is incorporated under the laws of the State of Texas and provides governmental services as authorized or required by its charter. The City appoints a voting majority of CWA's board members, but is not financially accountable for the actions of CWA. As a result, the City does not have a financial benefit in CWA and a burden relationship does not exist. All transactions with the City are evidenced by operating and construction project contracts for which the City compensates CWA for their services received pursuant to the contracts.

C. Basis of Accounting

The financial statements of CWA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standards-setting body for establishing accounting and financial reporting principles for state and local governments.

Under GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments*, CWA qualifies as a special-purpose government engaged only in business-type activities, and accordingly, only the financial statements required for an enterprise fund are presented as basic financial statements.

CWA's activities are accounted for on the flow of economic resources measurement focus with the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Coastal Water Authority
Notes to the Financial Statements

D. Change in Accounting Principle

In fiscal year 2019, the Authority adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

This statement establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale.

E. Use of 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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation expense which is based on the estimated useful lives of the underlying depreciable assets, annual other postemployment benefits (OPEB) costs and related total OPEB liability, and the assets and liabilities for compensable absences.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, CWA considers all deposits with a maturity of three months or less to be cash equivalents. Cash restricted by purpose is reported separately from unrestricted cash and cash equivalents.

G. Accounts Receivable

Accounts receivable at December 31, 2019 consisted of billings to customers for user charges and reimbursable expenses from the City. No allowance for doubtful accounts has been recorded because management deemed all receivables to be collectible.

H. Capital Assets

Capital expenditures for the acquisition, construction, or improvement of capital assets are recorded at cost. Management estimates water systems to have a 30% salvage value. Depreciation is provided on a straight-line basis over the estimated useful lives. The estimated useful lives of CWA's capital assets are as follows:

<u>Description</u>	<u>Useful Lives</u>
Water systems	15-50 years
Trucks, equipment, and other	5-10 years

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its life are not capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. CWA continuously reviews the carrying value of its property and equipment for possible impairment. When applicable, the book amounts are reduced to fair values.

The balance of construction in progress represents costs incurred on the construction of assets which have not been completed or placed in service as of the end of the year (see Note 8).

Coastal Water Authority

Notes to the Financial Statements

I. Unamortized Bond Premium

Bond premium represents interest paid in advance to the issuer by the bondholders who receive a return of the premium in the form of larger periodic interest payments. The bond premium is amortized over the life of the bond with the amortized amount decreasing interest expense over each period. The bond premiums arising from issuances have been capitalized and amortized over the life of the bonds in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) requirements. Balance outstanding as of December 31, 2019 on the premiums in the amount of \$4,411,867 has been recorded in the accompanying financial statements as an addition to the face value of the bonds to arrive at its carrying value.

J. Investments

CWA is authorized to invest in direct obligations of, or obligations guaranteed by, the United States of America, obligations of certain Federal agencies, states, counties, cities, and other investment instruments as authorized by CWA's investment policy, certain obligations of public housing authorities and related institutions, fully collateralized repurchase agreements, and interest bearing time deposits. Any cash balances and time deposits are required to be collateralized and secured by pledges of direct obligations of, or obligations guaranteed by, the United States of America, obligations of such Federal agencies, and certain obligations of public housing authorities and related institutions. Repurchase agreements are required to be fully collateralized by such securities held in a safekeeping account subject to the control and custody of CWA. Investments are valued at amortized cost, which approximates fair value, typically mature in one year or less, and are held to maturity. CWA's Board of Directors reviewed and confirmed the investment policy on October 9, 2019.

K. Compensable Absences

CWA maintains two vacation leave plans (A and B). Under vacation leave plan A, applicable to employees hired on or before September 1, 2012, employees receive 10 days of vacation and 15 days of sick leave each year. After five years of service, employees receive one additional vacation day for each additional year of service up to a maximum of fifteen additional days. Employees may accumulate vacation leave from year to year and upon termination or resignation, receive a lump sum vacation accrual payment up to a maximum of 720 hours. Upon termination or resignation, employees with two or more years of service may receive a lump-sum sick leave payment up to a maximum of 700 hours. Paid absences for employee vacation and sick leave are recorded as expenses when used. CWA's obligation for unused employee vacation and sick leave is reported as a long-term liability, net of current portion. Since these expenses are due from the City when incurred by employees, CWA records an equal amount of receivable for these compensable absences.

Under vacation leave plan B, applicable to employees hired after September 1, 2012, employees receive 10 working days of vacation and 8 days of sick leave each year. Employees who have completed five years of continuous employment receive an additional day of vacation for each additional year of service subject to a maximum of fifteen additional days. Employees are required to utilize their vacation time during the benefit year. Any accrued vacation days not utilized within the benefit year will not be allowed to be carried over to the next benefit year. However, employees may carry over to the next year accrued, unused sick leave hours. Upon termination of employment, employees under this plan will not be paid for any accrued, unused vacation or sick leave.

Coastal Water Authority

Notes to the Financial Statements

L. Revenues and Expenses

Operating revenues are those revenues generated from the primary operations of CWA. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of CWA. All other expenses are reported as non-operating expenses. The principal operating revenues of CWA are revenues generated from transportation of surface water to its customers.

Contributions, which finance either capital or current operations, are reported based on GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In applying GASB Statement No. 33 to contributions, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources that qualify to be recorded by CWA as receivables and revenues, which are transmitted by the provider before the eligibility requirements are met, are reported as deferred revenue.

M. Restricted Assets

Proceeds of CWA's contract revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited per applicable bond covenants. The investments held for the construction account is used to report those proceeds of revenue bond issuances that are restricted for use in construction projects.

Funds received for CWA's operation and maintenance are set aside to create a reserve for major maintenance, repairs, replacement, and obligatory replacement fund per the Trinity River Water Conveyance System contract and the Lake Houston Pump Station contract between CWA and the City of Houston. These funds are shown as restricted investments in the financial statements.

N. Income Taxes

CWA is an organization described in Internal Revenue Code Section 115. Generally, no tax provision is necessary in regard to its excess revenue. Accordingly, none has been recorded in the accompanying financial statements.

O. Net Position

Sometimes CWA will fund expense for a particular purpose from both restricted (e.g., restricted debt service or contingency) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is CWA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2. Trinity River Water Conveyance System Contracts City of Houston

CWA entered into a contract (the Initial Contract) with the City in May 1968. The contract expires on the earlier date of June 15, 2035 or the date on which the debt service requirements have been paid in full. In consideration of CWA's agreement to construct the main water conveyance and distribution systems, the City agreed to pay, solely out of revenues received from the operation of the City's water and wastewater systems, all maintenance and operating costs and all debt service requirements for the Trinity River Water Conveyance System. Upon termination of the contract and upon payment of all bonds and other obligations issued by CWA for the Trinity River Water Conveyance System, CWA must assign and convey to the City, upon request, all of its rights, titles, and interest in the Trinity River Water Conveyance System.

Coastal Water Authority

Notes to the Financial Statements

In June 1995, CWA entered into an operating contract (the Operating Contract) and a project financing and construction contract (the Projects Contract) with the City. The Operating Contract expires on the earlier occurrence of the year 2035 or when both the Initial Contract and the Projects Contract terminate. The Projects Contract expires on the earlier occurrence of the year 2035 or when all bonds and other obligations issued by CWA pursuant to the Projects Contract to finance the cost of projects or refinance the cost of such projects are paid.

The Operating Contract amends, restates, and supersedes the Initial Contract relating to CWA's operation for the Trinity River Water Conveyance System. In the Operating Contract, CWA is required to operate and maintain the Trinity River Water Conveyance System and the facilities constructed and/or acquired (Trinity River facilities) pursuant to the Projects Contract and acquire and/or construct improvements to such facilities or other City facilities. In return, the City pays CWA for maintenance, operation, construction, improvement, and repair of the City projects, including reasonable overhead and administrative costs, as set forth in the annual operating budget. The City is entitled to credits against its obligations under the Operating Contract to the extent that excess revenues, including proceeds from third-party insurers and grants from any Federal or state agency, received by CWA from the operation of the Trinity River facilities are available and are used to pay maintenance, operation, construction, improvement, and repair expenses of the facilities pursuant to the terms of the Operating Contract.

Under the Projects Contract, CWA is required to construct and/or acquire, improve, and repair certain water conveyance and distribution facilities. In return, the City pays, solely from the gross revenues received from the operation of the City's water and wastewater systems, all amounts necessary to pay debt service requirements and reserve fund requirements for such facilities. Upon termination of the Projects Contract and upon payment of all bonds and other obligations issued by CWA, CWA must assign and convey to the City, upon request, all of its rights, titles, and interest in and to such facilities.

In accordance with the terms of the various bond resolutions and City contracts, CWA is required to maintain, in the Trinity River Water Conveyance System operations account, an amount equal to three months average operating costs, as applicable to the City, estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net assets as part of line item "restricted net position – operating reserves." As of December 31, 2019, this reserve amounted to \$5,133,973.

San Jacinto River Authority

Effective February 10, 1998, CWA entered into a water conveyance contract with San Jacinto River Authority (SJRA) whereas SJRA reserved 50 million gallons per day (MGD) of capacity in the CWA main canal system. In 1998, SJRA paid CWA a capital recovery fee of \$3,663,860 for this capacity reservation. SJRA paid \$796,087 for the costs of engineering, design, and construction of a diversion point to accommodate this conveyance of water from CWA's main canal to SJRA's canal. Upon completion of the construction project in February 2000, CWA began operating and maintaining this diversion point structure. In return, SJRA began paying a monthly operating charge to CWA for the conveyance of this water. Termination of the contract will occur on the earlier date of January 1, 2035 or the date the City acquires the CWA main canal system.

In accordance with the terms of the contract with SJRA, CWA is required to maintain, in the Trinity River Water Conveyance System operations account, an amount equal to three months average operating costs, as applicable to SJRA, estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to SJRA. This amount is being shown in the statement of net position as part of the line item "restricted net position - operating reserves." As of December 31, 2019, this reserve amounted to \$26,190.

Coastal Water Authority

Notes to the Financial Statements

Note 3. Lake Houston Facilities

Effective January 1, 1996, CWA entered into an operating contract with the City to assume the responsibility of operating, maintaining, and keeping the Lake Houston Pump Station, West Canal, and related facilities (the Facilities) in good repair and to assume the responsibility of transporting water through the Facilities. The City pays, solely out of revenues received from the operation of the City's water and wastewater system, all maintenance and operating costs of the Facilities. The City is entitled to credits against obligations for interest received on Lake Houston Facilities fund investments. The contract has been renewed until 2020 and will automatically renew until 2025 unless terminated by either party.

In accordance with the terms of this contract, CWA is required to maintain, in the Lake Houston operations account, an amount equal to three months average operating costs as estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net position as part of the line item "restricted net position - operating reserves." As of December 31, 2019, this reserve amounted to \$698,428.

Effective January 1, 2004, the Operating Contract with the City was amended to extend responsibility for operating, maintaining, performing inspections, and implementing security of Lake Houston and the Lake Houston Dam to CWA. Further, the work under the Operating Contract may be paid by the City either as a capital project or from revenues received from the operation of the City's water and wastewater systems.

Note 4. Bayport Water System

In 1979, CWA acquired an existing water distribution system, the Bayport Water System, from the Friendswood Development Company and to extend the system to service additional customers. The Bayport Water System is attached to CWA's distribution system and its customers consist primarily of large national company chemical plants.

In 1985, CWA improved the Bayport Water System by the construction of crossover connections to interconnect the three CWA systems and bypass the Bayport reservoir and pump station. This change resulted in a more efficient and reliable system.

A Capital Improvement Fund was established through designation by the board of CWA in the Bayport Water System to provide funds for future renovations, improvements, and repairs to the system. Maintenance and operating costs are paid from revenues received from the operations of the Bayport Water System.

Note 5. Water Treatment Plant

In 1979, CWA acquired an existing water treatment plant (the Plant) from Crown Central Petroleum Company. The Plant is connected to CWA's distribution system and its customers consist of large chemical processing companies.

In November 2002, Air Products and Chemicals, Inc., (Air Products) entered into an agreement with CWA to receive and treat untreated surface water. The termination date for the agreement was December 31, 2017; thereafter, the agreement was renewed for an additional five-years commencing January 1, 2018 and will expire December 31, 2022 and can be renewed for an additional five-year period. In return, Air Products will take delivery of the treated surface water and make monthly payments to CWA for water treatment services. As of October 1, 2018, Air Products assigned their contract with CWA to Sekisui Specialty Chemicals America, LLC.

Coastal Water Authority

Notes to the Financial Statements

In January 2005, Pasadena Refining Systems, Inc. (PRSI) entered into an agreement with CWA to receive and treat 1.15 to 6.0 million gallons of untreated surface water per day for PRSI's production requirements. In return, PRSI will take delivery of the treated surface water and make monthly payments to CWA for water treatment services. The termination date for the agreement was December 2017. The agreement was renewed for an additional five-years commencing January 1, 2018 and will expire December 31, 2022 and can be renewed for an additional five-year period.

Note 6. Luce Bayou Project

In 2009, CWA entered into another project financing and construction contract with the City to plan, design, acquire property, construct and finance a project known as the Luce Bayou Interbasin Transfer Project (the Luce Bayou Project), which includes infrastructure sized to transfer approximately 450,000 acre feet per year of the City's permitted surface water from the Trinity River to Lake Houston. The Preliminary Project Costs of the Luce Bayou Project were financed and paid through the issuance of CWA contract revenue bonds which were purchased by the Texas Water Development Board (the TWDB) through its Water Infrastructure Fund (WIF) loan program, under which the TWDB loaned funds (the WIF Bonds) to CWA in the amount of \$28,000,000 in 2009 and an additional \$5,115,000 in 2010. The WIF Bonds are secured by the City's pledge under the Projects Contract to pay Debt Service on the WIF Bonds from the City's Net Revenues held in the General Purpose Fund.

Under the Luce Bayou Project, CWA advanced funds in the amount of \$9,705,000 to pay for the City's share of Land and Mitigation Costs. The funds were obtained from CWA's revenues derived from the sale of certain Certificates of Participation, Series 1993A-J with respect to the City of Houston Water Conveyance System Contract. The City shall repay the advance to CWA along with interest, at a rate equal to the prime rate published by the Wall Street Journal on the respective January 1st or July 1st for the period June 15, 2009 through December 15, 2016 and the 10- year Bond Buyer Revenue Bond Index for the period from December 15, 2016 through December 15, 2038. The City's payment schedule will start on June 15, 2019 and its repayment term is 20 years with one principal payment and two interest payments each year.

On March 13, 2012, CWA Board authorized an additional sum amounting to \$5 million to be used for acquisition of right-of-way for the Luce Bayou thereby increasing the total estimated costs of the Land and Mitigation project to \$20 million. In accordance with the provisions of the contract agreement, CWA received \$1,765,000 from the City and CWA transferred the amount of \$3,235,000 from its Special Project Equity Fund (SEALS) to cover the City's portion of the acquisition costs. Accordingly this amount has been recorded as a receivable from the City in the financial statements.

Pursuant to a Master Agreement (the Agreement) dated February 21, 2013, between CWA and TWDB, TWDB during the year, made available to CWA a funding in the amount \$28,754,000. The funding is to enable TWDB to purchase an initial 35% undivided interest in the Luce Bayou Project. In accordance with the provisions of the agreement, TWDB may purchase up to 80% of an undivided interest in the Luce Bayou Project. The proceeds of the fund are held in a construction fund created for such purpose and held by CWA. Funds in the construction fund including interest and investment earnings are to be used only for the Luce Bayou Project costs or for CWA's purchase of TWDB's interest in the Project. In conjunction with the Agreement, CWA and the City entered into a first supplement to the Luce Bayou project contract to incorporate the City's pledge for payment of debt service of the loan.

Coastal Water Authority

Notes to the Financial Statements

Pursuant to a Master Agreement (the Agreement) dated November 20, 2015, between CWA and TWDB, TWDB, during the year, made available to CWA funding in the amount of \$66,565,000. This funding is to enable TWDB to purchase an initial 35% undivided interest in the Luce Bayou Project. In accordance with the provisions of the Agreement, TWDB may purchase up to 80% of an undivided interest in the Luce Bayou Project. The proceeds are held in a construction fund created for such purpose and held by CWA. Funds in this construction fund including interest and investment earnings are to be used only for the Luce Bayou Project costs or for CWA's purchase of TWDB's interest in the Project. In conjunction with the Agreement, CWA and the City entered into a second supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

An amendment to the Agreement dated October 24, 2016, made available to CWA additional funding in the amount of \$136,250,000. In conjunction with the Agreement, CWA and the City entered in a third supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

A second amendment to the Agreement dated November 13, 2017, made available to CWA additional funding in the amount of \$72,795,000. In conjunction with the Agreement, CWA and the City entered in a fourth supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the loan.

The Texas Water Development Board on July 20, 2017, adopted Texas Water Development Board Resolution No. 17-076 to provide Financial Assistance to the Coastal Water Authority in the amount of \$24,180,000. The proceeds are held in a construction fund created for such purpose and held by CWA. Funds in this construction fund, including interest and investment earnings, are to be used only for the Luce Bayou Project costs. In conjunction with the Agreement, CWA and the City entered into a fifth supplement to the Luce Bayou Project contract to incorporate the City's pledge for payment on debt service of the Contract Revenue Bond, Series 2017.

In accordance with the terms of this contract, CWA is required to maintain, in the Luce Bayou operations account, an amount equal to three months average operating costs as estimated from its annual operating budget. At the beginning of each year, CWA makes an adjustment to the operating reserves to meet the requirements. This adjustment is either paid by or credited to the City. This amount is being shown in the statement of net position as part of the line item "restricted net position - operating reserves." As of December 31, 2019, this reserve amounted to \$437,736.

Note 7. Deposits and Investments

CWA's investments are stated at fair value, with certain exceptions described below. CWA categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

Coastal Water Authority

Notes to the Financial Statements

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include certain investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

As of December 31, 2019, CWA had the following deposits and investments:

Deposits	Value	(in Days)	Rating*
Cash and cash equivalents	\$ 6,900,916	38	AAAm
Restricted cash and cash equivalents	87,592,933	-	
	<u>\$ 94,493,849</u>		

Investment Type	Fair value	Average Maturity (in Days)	Rating
U.S. government & agency securities	\$ 48,906,054	53	N/A

* Standard & Poor's rating

The U.S. government and agency securities are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, CWA's deposits may not be returned to it. As of December 31, 2019, CWA's bank balances were fully collateralized in accordance with CWA's investment policy.

Interest Rate Risk

CWA's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Financial assets are invested only in authorized investments whose maturities do not exceed one year at the time of purchase.

Coastal Water Authority

Notes to the Financial Statements

Texas Short Term Asset Reserve Program Cash Reserve Fund (TexStar) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code (Code), and the Public Funds Investment Act (PFIA), Chapter 2256 of the Code. TexStar was created in April 2002 through a contract among its participating governmental units, and is governed by a board of directors (board), to provide for the joint investment of participant's public funds and funds under their control. It is the policy of TexStar to invest pooled assets in a manner that will provide for preservation and safety of principal and competitive investment returns while meeting the daily liquidity needs of its participants. The Portfolio of TexStar is a government-repo fund, utilizing primarily U.S. treasury securities, U.S. agency securities both fixed and floating, and repurchase agreements collateralized by such obligations. In order to meet the liquidity needs of the pool's shareholder base and limit its exposure to significant market price fluctuations occurring during the periods of volatile interest rate movement, the weighted average maturity of the pool's assets is limited to 60 days or less. J.P. Morgan Fleming Asset Management and First Southwest Asset Management serve as co-administrators for TexStar under an agreement with the TexStar board.

TexStar measures its investments at fair value; therefore, the investment is reported at net asset value in the accompanying financial statements. The investment pool does not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates. As of December 31, 2019, investments in TexStar amounted to \$3,916,022.

Note 8. Capital Assets

Capital assets consisted of the following at December 31, 2019:

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
Land	\$ 27,268,843	\$ -	\$ -	\$ -	\$ 27,268,843
Intangibles	8,669,664	-	-	-	8,669,664
Water systems	389,158,918	-	-	2,142,018	391,300,936
Trucks, equipment, and other	10,951,108	1,013,903	(431,047)	-	11,533,964
Construction in progress	241,396,823	53,357,085	-	(2,142,018)	292,611,890
Total capital assets, costs	677,445,356	54,370,988	(431,047)	-	731,385,297
Accumulated depreciation:					
Water systems	(203,847,162)	(5,866,429)	-	-	(209,713,591)
Trucks, equipment, and others	(8,303,841)	(632,489)	369,277	-	(8,567,053)
Total accumulated depreciation	(212,151,003)	(6,498,918)	369,277	-	(218,280,644)
Total capital assets, net	\$ 465,294,353	\$ 47,872,070	\$ (61,770)	\$ -	\$ 513,104,653

Depreciation expense for the year ended December 31, 2019 was \$6,498,918.

CWA has active construction commitments as of December 31, 2019 of \$31,277,718. The commitments include the construction and equipment of the Luce Bayou project.

Coastal Water Authority
Notes to the Financial Statements

Note 9. Long-Term Liabilities

The following is a summary of long-term liabilities for the year ended December 31, 2019:

Descriptions	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due within One Year
Bonds:					
Series 2009 contract revenue bonds (maturing 12/15/2028)	\$ 28,000,000	\$ -	\$ (2,500,000)	\$ 25,500,000	\$ 2,555,000
Series 2010 contract revenue bonds (maturing 6/15/2030)	5,115,000	-	-	5,115,000	415,000
Series 2010 contract revenue refunding bonds (maturing 12/15/2025)	25,880,000	-	(2,770,000)	23,110,000	2,900,000
Series 2014 contract revenue refunding bonds (maturing 12/15/2034)	34,830,000	-	(985,000)	33,845,000	1,060,000
Texas Water Development Board long-term loan - 2013 (maturing 12/15/2046)	28,754,000	-	-	28,754,000	-
Texas Water Development Board long-term loan - 2015 (maturing 6/15/2050)	66,565,000	-	-	66,565,000	-
Texas Water Development Board long-term loan - 2016 (maturing 6/15/2051)	136,460,000	-	-	136,460,000	-
Texas Water Development Board long-term loan - 2017 (maturing 6/15/2052)	72,795,000	-	-	72,795,000	-
Series 2017 contract revenue bonds (maturing 6/15/2047)	23,605,000	-	(625,000)	22,980,000	625,000
	422,004,000	-	(6,880,000)	415,124,000	7,555,000
Add:					
Unamortized premium	4,863,834	-	(451,967)	4,411,867	-
	426,867,834	-	(7,331,967)	419,535,867	7,555,000
Other liabilities:					
Interest payable	27,730,219	9,488,838	-	37,219,057	174,795
Compensated absences	2,759,757	549,921	(599,294)	2,710,384	135,519
Other postemployment benefit liability	4,921,470	495,822	(85,349)	5,331,943	-
Total long-term liabilities	\$ 462,279,280	\$ 10,534,581	\$ (8,016,610)	\$ 464,797,251	\$ 7,865,314

Coastal Water Authority
Notes to the Financial Statements

The annual debt service requirements for bonds payable as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest
2020	\$ 7,555,000	\$ 7,038,412
2021	7,795,000	7,732,226
2022	8,050,000	8,783,678
2023	8,350,000	9,905,717
2024	8,660,000	11,149,191
2025-2029	37,895,000	75,938,719
2030-2034	23,970,000	108,008,440
2035-2039	56,045,000	69,315,391
2040-2044	99,900,000	40,064,107
2045-2049	110,239,000	19,016,603
2050-2054	46,665,000	1,978,668
Totals	\$ 415,124,000	\$ 358,931,152

Series 2009 bonds carry a fixed interest rate of 2.13%-2.88%, Series 2010 Contract Revenue Bonds carry a fixed interest rate of 1.64%-2.82%, and Series 2010 Contract Revenue Refunding Bonds carry a fixed interest rate of 2.0%-5.0%. The TWDB 2013 loan carries a fixed interest rate of 4.44%-4.69%. Series 2014 Contract Revenue Refunding Bonds carry a fixed interest rate of 3.0%-5.0% and are payable on June 15 and December 15 of each year. The TWDB 2015 loan carries a fixed interest rate of 3.98%-4.11%. The TWDB 2016 loan carries a fixed interest rate of 3.46%-3.88%. Series 2017 Contract Revenue Bonds carry a fixed interest rate of 0.69%-3.0% and are payable on June 15 and December 15 of each year. The TWDB 2017 loan carries a fixed interest rate of 3.57%-3.86%.

1. Source of Repayment

The Series 2009, 2010 Refunding Bonds, 2014 Refunding Bonds, and 2017 (the Bonds) as well as the 2013, 2015, 2016, and 2017 loans are special limited obligations of CWA which are payable as to principal and interest solely from certain payments to be made by the City of Houston (the City) to CWA under certain project contracts.

2. Prior Defeasance of Debt

CWA has at various times entered into transactions to refund certain issues of its bonded debt. Generally, these transactions involve putting funds in a trust to be used to purchase securities to meet all the debt service requirements of the refunded debt, until that debt either matures or is redeemed. The liability for such refunded bonds and the related securities and escrow accounts were not included in the accompanying financial statements, as CWA defeased its obligations for payment of the refunded debt upon completion of the refunding transactions. At December 31, 2019, no outstanding bonds were considered defeased.

Coastal Water Authority

Notes to the Financial Statements

Private Placements (Direct Placements)

The Series 2009, 2010 and 2017 Contract Revenue Bonds (Luce Bayou Project) along with the Texas Water Development Board long-term loans 2013, 2015, 2016 and 2017 are Direct Placements with the Texas Water Development Board as funding for the Luce Bayou Project (See Note 6). These direct placement debt service payments are secured by the City's pledge under the Luce Bayou Projects Contract between the Authority and the City on the City's revenue from the Combined Utility System operations. The TWDB maintains certain percentage undivided interest in the Luce Bayou Project. As debt service payments are made the percentage of TWDB's undivided interest diminishes.

Note 10. Employee Benefit Plans

CWA has a single-employer defined contribution plan (the Plan) under which all full-time employees are eligible to participate upon completion of 90 days of service. All employees are required to contribute 4% of their annual compensation and may make additional voluntary contributions up to a maximum of 10% of that compensation received during all years of plan participation when added to their prior employee contributions.

CWA contributes 11.8% of each employee's gross compensation, which is 18% less a fixed rate of 6.2%, until eligible compensation is no longer subject to the Federal Insurance Contribution Act (FICA). When CWA is not required to contribute to FICA, with respect to each employee, CWA contributes the additional 6.2% to the employee's account. Maximum annual employee contributions are limited to 100% of the employee's compensation. Participants are 100% vested in their contributions and earnings thereon. For the employer contributions, participants are vested at the rate of 20% per year, beginning subsequent to the completion of one year of service, allowing 100% vesting after five years. Participants also become 100% vested upon death, disability, or reaching 65 years of age. In the event of termination of the plan, the vested interest of each participant shall be 100% and no part of the plan's assets will revert to CWA.

Coastal Water Authority

Notes to the Financial Statements

Total payroll expense for the year ended December 31, 2019 (100% covered by the plan) was \$7,001,888. Accordingly, the 2019 required contributions for employees was \$280,076 and CWA's requirement, net of forfeitures, was \$843,005. Actual contributions from employees and CWA during the plan year ended September 30, 2019 were \$424,380 and \$834,566, respectively. Below is the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits derived from the Plan's financial statements for the year ended September 30, 2019.

Statement of Net Assets Available for Benefits

Assets:	
Investments in U.S government and agency securities at fair value	\$ 15,275,490
Employer's contribution receivable	16,782
Other receivables	57,395
Cash	-
Net assets available for benefits	<u>\$ 15,349,667</u>

Statement of Changes in Net Assets Available for Benefits

Additions to net assets investment income:	
Net appreciation in fair value of investments	\$ 405,603
Contributions:	
Employer	834,566
Participants	424,380
Total contributions	<u>1,258,946</u>
Total additions to net assets	1,664,549
Deductions from net assets:	
Benefits paid	<u>538,529</u>
Total deductions from net assets	<u>538,529</u>
Change in net assets	1,126,020
Net assets available for benefits, beginning of year	<u>14,223,647</u>
Net assets available for benefits, end of year	<u><u>\$ 15,349,667</u></u>

Coastal Water Authority
Notes to the Financial Statements

The Plan's investments at September 30, 2019 were as follows:

September 30, 2019	Face Value	Fair Value	Amortized Cash
Federal Farm Credit Banks Dated 4/29/2019 2.40% Due 4/29/2020	\$ 1,500,000	\$ 1,504,935	\$ 1,515,030
Federal Home Loan Banks Dated 2/25/2019 2.50% Due 2/25/2020	1,500,000	1,503,060	1,503,536
Federal Home Loan Banks Dated 3/18/2019 2.50% Due 3/18/2020	1,500,000	1,504,335	1,501,293
Federal Home Loan Banks Dated 8/27/2010 2.875% Due 9/11/2020	1,500,000	1,514,205	1,535,714
Federal Home Loan Mortgage Corp. Dated 4/4/2013 1.625% Due 1/21/2020	1,500,000	1,495,590	1,499,838
Federal National Mortgage Assoc. Dated 1/12/2015 1.625% Due 1/21/2020	1,500,000	1,498,695	1,500,355
Federal National Mortgage Assoc. Dated 10/29/2015 1.40% Due 10/29/2019 Callable Quarterly Starting 4/29/2016 @ 100	2,150,000	2,149,076	2,162,782
Federal National Mortgage Assoc. Dated 4/27/2015 1.50% Due 6/22/2020	1,850,000	1,844,838	1,840,137
Federal Home Loan Banks Discount Note Dated 7/10/2019	1,500,000	1,479,135	1,477,124
Cash Equivalents: SEI Daily Income TR Treasury II	781,621	781,621	781,621
Totals	\$ 15,281,621	\$ 15,275,490	\$ 15,317,430

Employees of CWA may also participate in a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which permits the deferral of a portion of their salaries until future years. The deferred compensation is not available to employees until retirement, termination, death, or an unforeseeable emergency. All assets and income of the plan shall be held for the exclusive benefit of the plan's participants and their beneficiaries. The plan is administered by an independent contractor using the investment programs selected by the participants.

Coastal Water Authority

Notes to the Financial Statements

Note 11. Postemployment Benefits

A. Plan Description

CWA administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Retiree Health Plan has no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through CWA's group health insurance plan, which covers both active and retired members. Substantially all of CWA's employees become eligible for these benefits if they reach normal retirement age while working for CWA. CWA issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Health Plan. The report may be obtained by writing to CWA, 1801 Main Street, Suite 800, Houston, Texas 77002.

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the CWA's Board of Directors. These costs are funded on a pay-as-you-go basis. Contributions are recognized in the year paid. CWA paid \$85,349 during the year ended December 31, 2019 for healthcare premiums as they became due.

C. Employees Covered by Benefit Terms

The number of employees covered by the benefit terms is 95. Active employees make up 87 of the total and inactive employees make up 8 of this total.

Coastal Water Authority
Notes to the Financial Statements

D. Total OPEB Liability

The Authority's total OPEB liability of \$5,331,943 was measured as of December 31, 2019 using the alternative measurement method under GASB Statement No. 75.

The total OPEB liability at December 31, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Age adjustment factor	1.918097
Average retirement age	65 years
Employer future premium contribution	Remain a level % of the total cost over time
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Assets backing OPEB liability	\$0
Plan asset return	0%
Bond yield	3.260%
Measurement date	12/31/2019
Prior measurement date	12/31/2018
Prior year discount rate	3.400%
Projected salary increases	2.00%
Amortization period	20
Percentage participation	100%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality table	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity
Turnover assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

The discount rate used to measure the total OPEB liability was 3.26% and was based on the 20-year tax-exempt municipal bond yield.

Coastal Water Authority
Notes to the Financial Statements

Changes in the total OPEB liability:

	<u>2019</u>
Total OPEB Liability	\$ 4,921,469
Service Cost	189,344
Interest on Total OPEB Liability	172,329
Effect of Plan Changes	-
Effect of Economic/Demographic Gains or Losses	33,961
Effect of Assumptions Changes or Inputs	100,189
Benefit Payments	(85,349)
Employer Contributions	-
Employee Contributions	-
Net Investment Income	-
Administrative Expenses	-
	<hr/>
Net Change in Total OPEB Liability	410,474
	<hr/>
Total OPEB Liability	\$ 5,331,943

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current discount rate:

	<u>Discount Rate - 1%</u>	<u>Baseline</u>	<u>Discount Rate + 1%</u>
Discount Rate	2.260%	3.260%	4.260%
Total OPEB Liability	\$ 6,141,153	\$ 5,331,943	\$ 4,675,370

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
	4.600%	7.600%	4.000%	3.000%
		<u>Discount Rate - 1%</u>	<u>Baseline</u>	<u>Discount Rate + 1%</u>
Total OPEB Liability	\$ 4,501,632	\$ 5,331,943	\$ 6,384,741	

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$495,822.

Deferred inflows/outflows of resources related to differences between actual and expected experience with regard to economic or demographic factors or changes in assumptions and other inputs should not be used under the Alternative Measurement Method. These items should be recognized in OPEB expense immediately. The difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense over a closed 5 year period; the amount not immediately recognized should be reported as deferred inflows and outflows. The Authority's plan does not have OPEB assets in a trust, so deferred inflows and outflows are \$0.

Coastal Water Authority
Notes to the Financial Statements

Note 12. Commitments

Lease Commitments

CWA leases its office space and equipment under non-cancelable operating leases. On June 15, 2011 CWA signed a new ten (10) year office space lease agreement commencing March 1, 2012 and ending June 30, 2022. The future minimum lease rental payments under non-cancelable operating leases are as follows:

Year Ending, December 31,	Amount
2020	\$ 288,444
2021	288,444
2022	144,222
Totals	\$ 721,110

Total lease expense for the year ended December 31, 2019, including any related taxes and other fees, was \$305,847.

Note 13. Concentrations

The Trinity River Water Conveyance System and Lake Houston Facilities have one major customer, the City of Houston (the City). Revenues from the City represent approximately 100% of total revenues in the Trinity River Water Conveyance System and Lake Houston Facilities combined. The Red Bluff Water Treatment Plant currently has two customers which represents 100% of revenue. In addition, the Bayport Water System has two major customers. Revenues from these customers represent approximately 78% of total revenues in the Bayport Water System. CWA believes that the possibility of losing any one of these customers is remote.

Note 14. Subsequent Events

Management has evaluated subsequent events through April 8, 2020, the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

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Required Supplementary Information

Coastal Water Authority

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios (Unaudited) December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 4,921,469	\$ 4,687,332
Service Cost	189,344	368,798
Interest on Total OPEB Liability	172,329	125,386
Effect of Plan Changes	-	-
Effect of Economic/Demographic Gains or Losses	33,961	479,744
Effect of Assumptions Changes or Inputs	100,189	(657,800)
Benefit Payments	(85,349)	(81,900)
Employer Contributions	-	-
Employee Contributions	-	-
Net Investment Income	-	-
Administrative Expenses	-	-
	<u>410,474</u>	<u>234,228</u>
TOTAL OPEB LIABILITY	<u><u>\$ 5,331,943</u></u>	<u><u>\$ 4,921,560</u></u>
Covered-employee payroll	7,001,888	6,510,144
Total OPEB Liability as a percentage of covered-employee payroll	76%	76%

There are no assets accumulated in a trust to pay the related benefits to the employees.

*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, December 31, 2018. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Other Supplementary Information

Coastal Water Authority

Schedule I - Schedule of Net Position by System

December 31, 2019

	Luce Bayou Interbasin Transfer Project	Trinity River Water Conveyance System Project	Lake Houston Facilities Project
ASSETS			
Current assets unrestricted:			
Cash	\$ 240,705	\$ 4,178,223	\$ 446,427
Investments	-	18,512,692	-
Receivables:			
Accounts receivable from City of Houston	158,139	2,289,950	2,854,863
Accounts receivable from other customers	-	17,205	15,163
Prepaid expense	-	10,325	-
Compensable absences current portion	2,883	104,857	16,087
Current portion loan receivable from City of Houston	-	595,722	-
Interfund receivable and payable, net	(20,125)	2,617,663	(2,590,891)
Total current assets unrestricted	381,602	28,326,637	741,649
Current assets restricted:			
Cash - restricted for contingencies	-	23,433	15,622
Cash - restricted for debt service	-	82,017	-
Cash - restricted for capital projects	87,471,861	-	-
Investments - restricted for contingencies	-	2,979,271	1,986,181
Investments - restricted for debt services	-	8,192,996	-
Investments - restricted for capital projects	10,264,462	-	-
Total current assets restricted	97,736,323	11,277,717	2,001,803
Capital assets, net	301,460,190	192,353,142	5,458,863
Other assets:			
Interest receivable from City of Houston	36,929,787	-	-
Obligation for compensable absences	54,783	1,992,276	305,656
Long-term loan receivable from City of Houston	-	15,872,536	-
Total other assets	36,984,570	17,864,812	305,656
Total assets	436,562,685	249,822,308	8,507,971
DEFERRED OUTFLOWS OF RESOURCES	-	73,281	-
LIABILITIES			
Current liabilities unrestricted:			
Accounts payable	385,033	2,260,571	24,670
Retainage payable	-	434,693	-
Compensable absences - current	2,883	104,857	16,087
Total current liabilities unrestricted	387,916	2,800,121	40,757
Current liabilities restricted:			
Accounts payable	5,801,636	-	-
Retainage payable	5,489,590	-	-
Current portion of bonds payable	3,595,000	3,960,000	-
Bond interest payable	63,105	111,690	-
Total current liabilities restricted	14,949,331	4,071,690	-
Long-term liabilities:			
Bonds payable	50,000,000	57,406,867	-
Long-term loan	304,574,000	-	-
Interest payable	37,044,262	-	-
Compensable absences payable	54,783	1,992,276	305,656
Other postemployment benefits	34,759	3,267,792	743,222
Total long-term liabilities	391,707,804	62,666,935	1,048,878
Total liabilities	407,045,051	69,538,746	1,089,635
TOTAL NET POSITION	\$ 29,517,634	\$ 180,356,843	\$ 7,418,336

Bayport Water System Project	Red Bluff Water Treatment Plant Project	Totals
\$ 1,152,206	\$ 883,355	\$ 6,900,916
6,772,213	198,239	25,483,144
-	-	5,302,952
346,030	129,621	508,019
-	-	10,325
6,428	5,264	135,519
-	-	595,722
(2,588)	(4,059)	-
8,274,289	1,212,420	38,936,597
-	-	39,055
-	-	82,017
-	-	87,471,861
-	-	4,965,452
-	-	8,192,996
-	-	10,264,462
-	-	111,015,843
10,412,224	3,420,234	513,104,653
-	-	36,929,787
122,135	100,015	2,574,865
-	-	15,872,536
122,135	100,015	55,377,188
18,808,648	4,732,669	718,434,281
-	-	73,281
33,431	34,832	2,738,537
-	-	434,693
6,428	5,264	135,519
39,859	40,096	3,308,749
-	-	5,801,636
-	-	5,489,590
-	-	7,555,000
-	-	174,795
-	-	19,021,021
-	-	107,406,867
-	-	304,574,000
-	-	37,044,262
122,135	100,015	2,574,865
643,085	643,085	5,331,943
765,220	743,100	456,931,937
805,079	783,196	479,261,707
\$ 18,003,569	\$ 3,949,473	\$ 239,245,855

Coastal Water Authority

Schedule II - Schedule of Revenues, Expenses, and Changes in Net Position by System December 31, 2019

	Luce Bayou Interbasin Transfer Project	Trinity River Water Conveyance System Project	Lake Houston Facilities Project
OPERATING REVENUES			
Funds provided by City of Houston	\$ 1,343,461	\$ 19,709,061	\$ 2,307,897
Funds provided by San Jacinto River Authority	-	194,125	-
Service revenues	-	-	-
Total operating revenues	<u>1,343,461</u>	<u>19,903,186</u>	<u>2,307,897</u>
OPERATING EXPENSES			
Utilities	27,332	6,382,681	120,263
Field salaries	539,298	3,646,022	951,874
Administrative	244,127	1,744,215	384,295
General operating	194,923	1,530,644	328,546
Materials and supplies	77,930	2,766,464	132,434
Engineering, legal, and professional	61,485	788,939	88,450
Contract labor and equipment	52,817	3,486,099	334,251
Depreciation expense	36,159	5,804,818	226,528
Total operating expenses	<u>1,234,071</u>	<u>26,149,882</u>	<u>2,566,641</u>
Operating (loss) income	109,390	(6,246,696)	(258,744)
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,594,851	762,169	54,482
Interest income	-	679,941	-
Bond interest expense, net of amortization of bond issues	(1,217,773)	(2,255,960)	-
Gain on sale of capital assets	-	81,611	-
Loan interest expense	(11,748,533)	-	-
Other income	-	488,237	-
Total nonoperating revenues (expenses)	<u>(10,371,455)</u>	<u>(244,002)</u>	<u>54,482</u>
(Loss) Income before contributions	(10,262,065)	(6,490,698)	(204,262)
CONTRIBUTIONS			
Changes in net position	5,802,739	(21,017)	(204,262)
Net position - beginning of year	<u>23,714,895</u>	<u>180,377,860</u>	<u>7,622,598</u>
TOTAL NET POSITION - ENDING	<u>\$ 29,517,634</u>	<u>\$ 180,356,843</u>	<u>\$ 7,418,336</u>

Bayport Water System Project	Red Bluff Water Treatment Plant Project	Totals
\$ -	\$ -	\$ 23,360,419
-	-	194,125
2,323,831	1,427,416	3,751,247
<hr/>	<hr/>	<hr/>
2,323,831	1,427,416	27,305,791
61,299	131,500	6,723,075
552,120	477,783	6,167,097
292,470	258,261	2,923,368
227,253	214,717	2,496,083
82,134	348,964	3,407,926
68,609	22,972	1,030,455
268,651	35,538	4,177,356
324,383	107,030	6,498,918
<hr/>	<hr/>	<hr/>
1,876,919	1,596,765	33,424,278
<hr/>	<hr/>	<hr/>
446,912	(169,349)	(6,118,487)
151,440	20,682	3,583,624
-	-	679,941
-	-	(3,473,733)
(690)	-	80,921
-	-	(11,748,533)
-	-	488,237
<hr/>	<hr/>	<hr/>
150,750	20,682	(10,389,543)
<hr/>	<hr/>	<hr/>
597,662	(148,667)	(16,508,030)
-	-	22,534,485
<hr/>	<hr/>	<hr/>
597,662	(148,667)	6,026,455
17,405,727	4,098,320	233,219,400
<hr/>	<hr/>	<hr/>
\$ 18,003,389	\$ 3,949,653	\$ 239,245,855
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Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited)
 December 31, 2019

	<u>Luce Bayou Interbasin Transfer Project</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Funds provided by City of Houston	\$ 9,736,500	\$ 8,761,187	\$ (975,313)
Interest on investments	3,000	-	(3,000)
	<hr/>	<hr/>	<hr/>
Total operating revenues	9,739,500	8,761,187	(978,313)
OPERATING EXPENSES			
Utilities	55,000	27,332	27,668
Field salaries	817,100	550,298	266,802
Administrative	357,400	245,119	112,281
General operating	244,200	182,610	61,590
Materials and supplies	170,000	77,931	92,069
Engineering, legal, and professional	47,100	61,490	(14,390)
Contract labor and equipment	50,000	158,143	(108,143)
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,740,800	1,302,923	437,877
Operating income	7,998,700	7,458,264	(540,436)
NONOPERATING REVENUES (EXPENSES)			
Bond interest expense	(1,201,465)	(1,201,465)	-
Bond principal retirement	(3,125,000)	(3,125,000)	-
Loan principal expense	(561,890)	(561,890)	-
Loan interest expense	(2,955,270)	(2,955,270)	-
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(7,843,625)	(7,843,625)	-
CHANGE IN NET POSITION	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 155,075	\$ (385,361)	\$ (540,436)

Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued
 December 31, 2019

	Trinity River Water Conveyance System Project		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Funds provided by City of Houston	\$ 26,831,500	\$ 25,342,772	\$ (1,488,728)
Funds provided by San Jacinto River Authority	125,000	176,920	51,920
Interest on investments	40,000	40,603	603
Other Income	150,000	488,236	338,236
	<hr/>	<hr/>	<hr/>
Total operating revenues	27,146,500	26,048,531	(1,097,969)
OPERATING EXPENSES			
Utilities	7,085,700	6,321,048	764,652
Field salaries	3,519,700	3,785,540	(265,840)
Administrative	1,592,000	1,792,216	(200,216)
General operating	1,223,400	1,280,255	(56,855)
Materials and supplies	2,332,800	2,770,094	(437,294)
Engineering, legal, and professional	539,600	477,864	61,736
Contract labor and equipment	4,242,700	3,860,406	382,294
	<hr/>	<hr/>	<hr/>
Total operating expenses	20,535,900	20,287,423	248,477
	<hr/>	<hr/>	<hr/>
Operating income	6,610,600	5,761,108	(849,492)
NONOPERATING REVENUES (EXPENSES)			
Bond interest expense	(2,714,700)	(2,714,681)	19
Bond principal retirement	(3,755,000)	(3,755,000)	-
Paying Agent Fees	-	(750)	(750)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(6,469,700)	(6,470,431)	(731)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSITION	\$ 140,900	\$ (709,323)	\$ (850,223)

Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued
 December 31, 2019

	Lake Houston Facilities Project		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Funds provided by City of Houston	\$ 2,697,900	\$ 2,390,496	\$ (307,404)
Interest on investments	46,800	53,504	6,704
Other Income	60,000	-	(60,000)
	<hr/>	<hr/>	<hr/>
Total operating revenues	2,804,700	2,444,000	(360,700)
OPERATING EXPENSES			
Utilities	103,000	121,235	(18,235)
Field salaries	1,035,100	976,875	58,225
Administrative	462,500	392,299	70,201
General operating	287,200	262,868	24,332
Materials and supplies	199,500	131,838	67,662
Engineering, legal, and professional	98,500	85,202	13,298
Contract labor and equipment	607,900	370,627	237,273
	<hr/>	<hr/>	<hr/>
Total operating expenses	2,793,700	2,340,944	452,756
	<hr/>	<hr/>	<hr/>
Operating income	11,000	103,056	92,056
	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSITION	\$ 11,000	\$ 103,056	\$ 92,056

Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued
 December 31, 2019

	Bayport Water System Project		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Interest on investments	\$ 120,000	\$ 150,993	\$ 30,993
Service revenues	2,409,000	2,343,970	(65,030)
Total operating revenues	2,529,000	2,494,963	(34,037)
OPERATING EXPENSES			
Utilities	92,500	62,664	29,836
Field salaries	745,400	568,120	177,280
Administrative	323,100	316,942	6,158
General operating	202,100	186,306	15,794
Materials and supplies	127,400	82,133	45,267
Engineering, legal, and professional	82,700	73,894	8,806
Contract labor and equipment	364,100	243,858	120,242
Total operating expenses	1,937,300	1,533,917	403,383
Operating income	591,700	961,046	369,346
NONOPERATING REVENUES (EXPENSES)			
Construction program	(1,648,900)	(1,561,943)	86,957
Total nonoperating revenues (expenses)	(1,648,900)	(1,561,943)	86,957
CHANGE IN NET POSITION	\$ (1,057,200)	\$ (600,897)	\$ 456,303

Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued
 December 31, 2019

	Red Bluff Water Treatment Plant Project		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Interest on investments	\$ 9,400	\$ 20,569	\$ 11,169
Service revenues	1,691,300	1,422,010	(269,290)
	<hr/>	<hr/>	<hr/>
Total operating revenues	1,700,700	1,442,579	(258,121)
OPERATING EXPENSES			
Utilities	163,400	134,813	28,587
Field salaries	589,000	489,783	99,217
Administrative	265,500	285,846	(20,346)
General operating	185,100	164,395	20,705
Materials and supplies	397,700	320,283	77,417
Engineering, legal, and professional	64,000	38,129	25,871
Contract labor and equipment	60,300	34,138	26,162
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,725,000	1,467,387	257,613
	<hr/>	<hr/>	<hr/>
Operating loss	(24,300)	(24,808)	(508)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSITION	<u>\$ (24,300)</u>	<u>\$ (24,808)</u>	<u>\$ (508)</u>