

# **Coastal Water Authority**

Financial Report

December 31, 2024

# Coastal Water Authority

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## **Independent Auditor's Report**

To the Board of Directors of  
Coastal Water Authority

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the Coastal Water Authority (CWA), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise CWA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CWA, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 CWA 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 opinion.

#### **Emphasis of Matter**

As discussed in Notes 1 and 13 to the basic financial statements, during the year ended December 31, 2024, CWA implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The beginning compensable absences payable liability and obligation for compensable absences asset have been restated as a result of the implementation of this statement. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

CWA's 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 CWA'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 opinion. 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 GAAS 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 GAAS, 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 CWA'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 CWA'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 Required Supplementary Information, as listed in the table of contents, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CWA's basic financial statements. The Information included in Supplemental Schedules I, and II, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information in Supplemental Schedules I and II 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 information in Supplemental Schedules I and II 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 in Supplemental Schedules I and II is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises Supplemental Schedule III, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas  
April 9, 2025

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## **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, 2024. 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 \$267 million.
- CWA's total net position increased by \$9.9 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.
- Operating revenues increased by \$2.6 million.
- Operating expenses decreased by \$0.6 million.
- Construction in progress increased by \$8.6 million.
- Long-term liabilities (net of current portion) increased by \$15.0 million is mostly due to the net effect of payment and amortization of debt of \$9.1 million and the issuance of contract revenue bonds during the year of \$25.0 million.

### **Overview of the Financial Statements**

The financial section of this annual report consists of two major parts: Management's Discussion and Analysis (unaudited) 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 as well as deferred inflows and outflows of resources 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**

	2024	2023	Change
Current assets *	\$ 124,288,546	\$ 94,837,267	\$ 29,451,279
Capital assets, net	553,222,180	549,961,362	3,260,818
Other noncurrent assets *	84,693,259	82,276,220	2,417,039
Total assets	762,203,985	727,074,849	35,129,136
Total deferred outflows of resources	48,773	53,683	(4,910)
Current liabilities *	24,271,602	14,095,300	10,176,302
Long-term liabilities *	471,313,687	456,310,456	15,003,231
Total liabilities	495,585,289	470,405,756	25,179,533
Net position:			
Net investment in capital assets	221,658,546	210,562,423	11,096,123
Restricted	24,504,310	23,398,554	1,105,756
Unrestricted	20,504,613	22,761,799	(2,257,186)
<b>Total net position</b>	<b>\$ 266,667,469</b>	<b>\$ 256,722,776</b>	<b>\$ 9,944,693</b>

\* Restated to reflect implementation of GASB Statement No. 101, *Compensated Absences*.

During 2024, current assets increased \$29.4 million primarily due to the bond proceeds of contract revenue bonds issued during the year. The increase in current liabilities is primarily due to an increase in current portion of bonds and loans payable. The increase in long-term liabilities of \$15.0 million is mostly due to the net effect of payment and amortization of debt and the issuance of contract revenue bonds 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 \$267 million at the close of 2024. By far, the largest portion of CWA's net position (83%) 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, 2024, that ratio was approximately 5:1. 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**

	2024	2023	Change
Total operating revenues	\$ 41,653,813	\$ 39,028,676	\$ 2,625,137
Total operating expenses	(48,734,970)	(48,115,019)	(619,951)
Total non-operating revenues (expenses)	(9,112,373)	(9,585,544)	473,171
Deficiency of revenues under expenses	(16,193,530)	(18,671,887)	2,478,357
Capital contributions	26,138,223	23,433,968	2,704,255
Change in net position	9,944,693	4,762,081	5,182,612
Net position beginning of year	256,722,776	251,960,695	4,762,081
<b>Net position at end of year</b>	<b>\$ 266,667,469</b>	<b>\$ 256,722,776</b>	<b>\$ 9,944,693</b>

During 2024, the increase in operating revenues is due to an increase in water usage for the City of Houston. Operating expenses and non-operating revenue (expenses) did not change significantly. Contributions provided by the City increased primarily due to current year costs incurred on the Lynchburg pump station that had been allocated to CWA in the prior year.

### **Capital Assets and Debt Administration**

**Capital assets:** CWA's capital assets as of December 31, 2024, totaled \$553 million (net of accumulated depreciation and amortization). Capital assets include land, intangibles, water systems, vehicles, equipment, other, right-to-use buildings, right-to-use equipment, right-to-use subscriptions, and construction in progress. Major capital asset events during the year included the following:

- Approximately \$3.0 million increase in construction on Luce Bayou Interbasin Transfer Project water systems.
- Approximately \$3.6 million increase in construction on Lynchburg Pump Station Project water systems.

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

**Long-term debt:** At the end of 2024, CWA had total long-term debt outstanding of \$401.8 million. A portion (\$62.4 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 \$339.4 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**

	2024	2023	Change
Revenue and refunding bonds (net)	\$ 97,289,558	\$ 81,402,760	\$ 15,886,798
Long-term loans (TWDB)	304,574,000	304,574,000	-
<b>Balance at end of year</b>	<b>\$ 401,863,558</b>	<b>\$ 385,976,760</b>	<b>\$ 15,886,798</b>

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. CWA is managing the regional increase inflation factors on parts and materials through its 2025 Operating and Construction Budgets that will begin January 1, 2025.

A second phase of the Luce Bayou Interbasin Transfer Project was started in 2024. The completion of Phase Two is expected in 2026. A second phase adding an additional four pumps at the Capers Ridge Pump Station was started in 2023. The completion of Phase Two is expected in 2026. This second phase will provide additional water flow into Lake Houston to meet its forecasted additional water demands.

#### **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, 2024

### ASSETS

#### Current assets - unrestricted:

Cash and cash equivalents	\$ 29,681,921
Investments	1,420,284

#### Receivables:

Accounts receivable from City of Houston	4,092,166
Accounts receivable from other customers	849,631
Compensable absences current portion	611,768
Current portion loan receivable from City of Houston	724,438

Total receivables	6,278,003
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Total current assets - unrestricted	37,380,208
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#### Current assets - restricted:

Cash and cash equivalents - restricted for contingencies	100,990
Cash and cash equivalents - restricted for debt service	228,697
Cash and cash equivalents - restricted for capital projects	72,263,804
Investments - restricted for contingencies	4,906,512
Investments - restricted for debt service	9,129,205
Investments - restricted for capital projects	279,130

Total current assets - restricted	86,908,338
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Capital assets, net of depreciation and amortization	553,222,180
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#### Other assets:

Interest receivable from City of Houston	67,687,185
Obligation for compensable absences	4,488,232
Long-term loan receivable from City of Houston	12,517,842

Total other assets	84,693,259
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Total assets	762,203,985
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Deferred outflows of resources	48,773
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 762,252,758</b>
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## Coastal Water Authority

### Statement of Net Position – Continued

December 31, 2024

#### LIABILITIES AND NET POSITION

##### Current liabilities - unrestricted:

Accounts payable	\$ 3,954,673
Unearned revenue	5,169,882
Compensable absences - current	611,768
Current portion of leases payable	191,758
Current portion of subscription payable	109,487

Total current liabilities - unrestricted 10,037,568

##### Current liabilities - restricted:

Current portion of bonds and loans payable	14,035,000
Bond, lease, subscription and interest payable	199,034

Total current liabilities - restricted 14,234,034

##### Long-term liabilities:

Bonds payable, net	83,254,558
Long-term loans	304,574,000
Leases payable	1,625,180
Subscription payable	365,358
Interest payable	68,143,240
Compensable absences payable	4,488,232
Other postemployment benefits	8,863,119

Total long-term liabilities 471,313,687

Total liabilities 495,585,289

#### NET POSITION

Net investment in capital assets 221,658,546

##### Restricted for:

Contingencies, net of restricted liabilities	5,007,502
Debt service	8,706,490
Operations reserves	10,790,318

Unrestricted 20,504,613

Total net position 266,667,469

#### TOTAL LIABILITIES AND NET POSITION

\$ 762,252,758

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

## Coastal Water Authority

### Statement of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2024

#### OPERATING REVENUES

Funds provided by City of Houston	\$ 37,417,928
Funds provided by San Jacinto River Authority	139,891
Service revenues	4,095,994

Total operating revenues	41,653,813
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#### OPERATING EXPENSES

Utilities	8,701,660
Field salaries	7,777,455
Administrative	3,553,285
General operating	4,263,669
Materials and supplies	8,890,958
Engineering, legal, and professional	2,103,235
Contract labor and equipment	6,006,206
Depreciation and amortization expense	7,438,502

Total operating expenses	48,734,970
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Operating loss	(7,081,157)
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#### NON-OPERATING REVENUES (EXPENSES)

Investment income	4,461,826
Interest income	556,163
Bond interest expense, net of amortization of bond issues	(2,607,671)
Gain on sale of capital assets	170,148
Loan interest expense	(11,812,317)
Lease interest expense	(25,908)
Subscription interest expense	(1,430)
Other income	146,816

Net non-operating revenues/(expenses)	(9,112,373)
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Loss before contributions	(16,193,530)
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#### CONTRIBUTIONS PROVIDED BY CITY OF HOUSTON

26,138,223
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Change in net position	9,944,693
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Net position - beginning	256,722,776
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#### NET POSITION - ENDING

\$ 266,667,469
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The Notes to the Financial Statements are an integral part of this statement.

**Coastal Water Authority**  
Statement of Cash Flows  
Year Ended December 31, 2024

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from municipalities	\$ 39,830,488
Cash received from customers	7,240,073
Cash payments to employees and suppliers for goods and services	(38,661,913)
Net cash provided by operating activities	8,408,648

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(10,765,966)
Proceeds from sale of capital assets	236,794
Proceeds from bonds	25,000,000
Proceeds from subscriptions	427,673
Contributions, net of principal and interest paid on notes and bonds	2,751,417
Principal and interest paid on leases and subscriptions	(350,126)
Advance from City of Houston	696,643
Net cash provided by capital and related financing activities	17,996,435

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from maturities and sales of investment securities	23,781,976
Purchases of investment securities	(39,160,622)
Investment income	4,661,504
Other income	146,816
Net cash used in investing activities	(10,570,326)

Net increase in cash and cash equivalents	15,834,757
Cash and cash equivalents at beginning of year	86,440,655

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

\$ 102,275,412

**RECONCILIATION TO STATEMENT OF NET POSITION**

Cash and cash equivalents, unrestricted	\$ 29,681,921
Cash and cash equivalents, restricted	72,593,491

**TOTAL CASH AND CASH EQUIVALENTS**

\$ 102,275,412

**RECONCILIATION OF OPERATING LOSS TO NET CASH**

**PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (7,081,157)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	7,438,502
Changes in assets and liabilities:	
Receivables, net	2,238,172
Accounts payable	1,491,007
Retainage payable	(45,278)
Unearned revenue	3,178,576
Other postemployment benefits liability	1,188,826

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

\$ 8,408,648

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest and principal payments made by City of Houston	<u><u>\$ 26,138,223</u></u>
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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 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. 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.

**E. 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.

**F. Accounts Receivable**

Accounts receivable at December 31, 2024 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.

**G. 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:

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

Right to use assets are amortized over the duration of the lease term using the straight line method.

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).

**H. 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, 2024 on the premiums in the amount of \$2,149,558 has been recorded in the accompanying financial statements as an addition to the face value of the bonds to arrive at its carrying value.

## **Coastal Water Authority**

### Notes to the Financial Statements

#### **I. Leases**

CWA is a lessee for noncancellable leases of building and equipment. CWA recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the financial statements.

At the commencement of a lease, CWA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how CWA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CWA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CWA generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that CWA is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

CWA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

#### **J. Subscription-Based Information Technology Arrangements (SBITAs)**

CWA has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). CWA recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the financial statements. CWA recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an SBITA, CWA initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

## **Coastal Water Authority**

### **Notes to the Financial Statements**

Key estimates and judgments related to SBITAs include how CWA determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- CWA uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, CWA generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if CWA is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

CWA monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

#### **K. 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 November 13, 2024.

#### **L. 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 ten days of vacation and fifteen 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.

Under vacation leave plan B, applicable to employees hired after September 1, 2012, employees receive ten working days of vacation and eight 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 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 360 hours. Upon termination of employment, employees under this plan will not be paid for any accrued, unused sick leave.

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.

## **Coastal Water Authority**

### Notes to the Financial Statements

#### **M. 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 liabilities.

#### **N. 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.

#### **O. 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.

#### **P. 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.

#### **Q. Implementation of New Accounting Standards**

GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 was implemented in CWA's fiscal year 2024 financial statements with no impact to beginning net position.

## Coastal Water Authority

### Notes to the Financial Statements

GASB Statement No. 101, *Compensated Absences* (GASB 101), will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. GASB 101 was implemented in CWA's 2024 financial statements, resulting in recognition of an additional \$2.8 million compensable absences payable liability and an additional \$2.8 million obligation for compensable absences asset as of January 1, 2024. See Note 13 for further discussion of the implementation.

#### **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.

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 may assign and convey to the City, upon request, all of its rights, titles, and interest in and to such facilities.

## **Coastal Water Authority**

### **Notes to the Financial Statements**

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 position as part of line item "restricted net position – operations reserves." As of December 31, 2024, this reserve amounted to \$7,988,673.

#### **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 - operations reserves." As of December 31, 2024, this reserve amounted to \$27,126.

#### **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 and will continue to 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 - operations reserves." As of December 31, 2024, this reserve amounted to \$1,103,628.

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.



## **Coastal Water Authority**

### Notes to the Financial Statements

#### **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 expired December 31, 2022 and has been 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.

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 expired December 31, 2022 and has been 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.

## Coastal Water Authority

### Notes to the Financial Statements

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 1<sup>st</sup> or July 1<sup>st</sup> 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 Project 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.

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 \$136,460,000. 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 TWDB 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.

## Coastal Water Authority

### Notes to the Financial Statements

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 - operations reserves." As of December 31, 2024, this reserve amounted to \$1,670,891.

### Note 7. Deposits and Investments

As of December 31, 2024, CWA had the following deposits and investments:

Deposits	Value	Observable Inputs (Level 2)	Average Maturity (in Days)	Rating*
Investments measured at fair value:				
U.S. Treasury Bonds/Notes	\$ 15,735,131	\$ 15,735,131	163	N/A
<b>Total investments, including restricted</b>	<b>\$ 15,735,131</b>	<b>\$ 15,735,131</b>		
Cash equivalents measured at net asset value:				
TexStar	\$ 81,776,954		36	AAAm
Cash deposits	20,498,458			
<b>Total cash and cash equivalents, including restricted</b>	<b>\$ 102,275,412</b>			
Portfolio weighted average maturity			56	

\* Standard & Poor's rating

### Fair Value Measurements

CWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs 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.

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.

U.S. treasury bonds and notes are classified in Level Two 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, 2024, CWA's bank deposits at JP Morgan Chase were over secured by \$4,162,752.

# Coastal Water Authority

## Notes to the Financial Statements

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the CWA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CWA's investments are held by the CWA's agent in the CWA's name for the benefit of the CWA.

### 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.

### Texas Short Term Asset Reserve Program Cash Reserve Fund (TexStar)

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 Asset Management and Hilltop Securities 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.

### Note 8. Capital Assets

Capital assets consisted of the following at December 31, 2024:

	Balance December 31, 2023	Additions	Retirements	Balance December 31, 2024
Land	\$ 27,268,843	\$ -	\$ -	\$ 27,268,843
Intangibles	8,669,664	-	-	8,669,664
Water systems	416,562,960	-	-	416,562,960
Trucks, equipment, and other	15,998,543	1,779,099	(632,921)	17,144,721
Right-to-use assets-buildings	2,247,333	-	-	2,247,333
Right-to-use assets-equipment	30,194	-	-	30,194
Right-to-use assets-subscriptions	274,514	415,585	-	690,099
Construction in progress	324,395,427	8,559,194	-	332,954,621
<b>Total capital assets, cost</b>	<b>795,447,478</b>	<b>10,753,878</b>	<b>(632,921)</b>	<b>805,568,435</b>
Accumulated depreciation and amortization:				
Water systems	(233,437,617)	(5,926,227)	-	(239,363,844)
Trucks, equipment, and others	(11,556,578)	(1,215,428)	578,363	(12,193,643)
Right-to-use assets-buildings	(402,510)	(201,255)	-	(603,765)
Right-to-use assets-equipment	(18,744)	(6,469)	-	(25,213)
Right-to-use assets-subscriptions	(70,667)	(89,123)	-	(159,790)
<b>Total accumulated depreciation and amortization</b>	<b>(245,486,116)</b>	<b>(7,438,502)</b>	<b>578,363</b>	<b>(252,346,255)</b>
<b>Total capital assets, net</b>	<b>\$ 549,961,362</b>	<b>\$ 3,315,376</b>	<b>\$ (54,558)</b>	<b>\$ 553,222,180</b>

Depreciation and amortization expense for the year ended December 31, 2024 was \$7,438,502.

# 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, 2024:

Descriptions	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Due within One Year
Bonds and Long-Term Loans:					
Series 2009 contract revenue bonds (maturing 12/15/2028)	\$ 14,900,000	\$ -	\$ (2,820,000)	\$ 12,080,000	\$ 2,900,000
Series 2010 contract revenue bonds (maturing 6/15/2030)	3,410,000	-	(450,000)	2,960,000	460,000
Series 2010 contract revenue refunding bonds (maturing 12/15/2025)	10,695,000	-	(3,480,000)	7,215,000	7,215,000
Series 2014 contract revenue refunding bonds (maturing 12/15/2034)	29,360,000	-	(1,255,000)	28,105,000	2,320,000
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)	20,435,000	-	(655,000)	19,780,000	660,000
Series 2024 contract revenue bonds (maturing 6/15/2054)	-	25,000,000	-	25,000,000	480,000
	383,374,000	25,000,000	(8,660,000)	399,714,000	14,035,000
Add:					
Unamortized premium	2,602,760	-	(453,202)	2,149,558	-
	385,976,760	25,000,000	(9,113,202)	401,863,558	14,035,000
Other liabilities:					
Compensated absences*	5,200,000	629,619	(729,619)	5,100,000	611,768
Leases payable	2,002,540	-	(185,602)	1,816,938	191,758
Subscriptions payable	184,358	427,673	(137,186)	474,845	109,487
Interest payable	64,867,555	3,474,719	-	68,342,274	199,034
Other postemployment benefit liability	7,674,293	1,400,898	(212,072)	8,863,119	-
<b>Total long-term liabilities</b>	<b>\$ 465,905,506</b>	<b>\$ 30,932,909</b>	<b>\$ (10,377,681)</b>	<b>\$ 486,460,734</b>	<b>\$ 15,147,047</b>

\* Beginning balance was adjusted to reflect implementation of GASB Statement No. 101, *Compensated Absences*.

## Coastal Water Authority

### Notes to the Financial Statements

The annual debt service requirements for bonds payable and long-term loans as of December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total Requirements
2025	\$ 14,035,000	\$ 15,002,828	\$ 29,037,828
2026	7,100,000	14,357,814	21,457,814
2027	7,345,000	14,118,462	21,463,462
2028	7,600,000	13,867,333	21,467,333
2029	4,575,000	13,281,058	17,856,058
2030-2034	27,125,000	66,009,901	93,134,901
2035-2039	59,650,000	59,075,550	118,725,550
2040-2044	104,150,000	42,592,449	146,742,449
2045-2049	115,329,000	20,746,325	136,075,325
2050-2054	52,805,000	2,691,276	55,496,276
<b>Totals</b>	<b>\$ 399,714,000</b>	<b>\$ 261,742,996</b>	<b>\$ 661,456,996</b>

Series 2009 Contract Revenue 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%. Series 2024 Contract Revenue Bonds carry a fixed interest rate of 2.06%-3.82% and are payable on June 15 and December 15 of each year.

#### 1. Source of Repayment

The Series 2009, 2010, 2010 Refunding Bonds, 2014 Refunding Bonds, and 2017 (the Bonds) as well as the 2013, 2015, 2016, 2017, and 2024 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, 2024, no outstanding bonds were considered defeased.

#### Private Placements (Direct Placements)

The Series 2009, 2010 and 2017 Contract Revenue Bonds (Luce Bayou Project) along with the TWDB long-term loans 2013, 2015, 2016 and 2017 are Direct Placements with the TWDB 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.

## Coastal Water Authority

### Notes to the Financial Statements

#### Leases Payable

The CWA has entered into multiple lease agreements as a lessee. The leases allow the right-to-use buildings and equipment over the term of the lease. The CWA is required to make monthly and quarterly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

	Interest Rate(s)	Lease Term in Years	Ending Balance
Buildings	1.35%	11	\$ 1,812,071
Copiers and printers	Various	3-5	4,867
<b>Totals</b>			<b>\$ 1,816,938</b>

The future principal and interest lease payments as of fiscal year end are as follows:

Year Ending December 31,	Principal	Interest	Total Requirements
2025	\$ 191,758	\$ 23,278	\$ 215,036
2026	197,696	20,675	218,371
2027	205,650	17,968	223,618
2028	214,717	15,142	229,859
2029	223,906	12,193	236,099
2030	233,220	9,119	242,339
2031	242,660	5,920	248,580
2032	262,682	2,539	265,221
2033	44,649	75	44,724
<b>Totals</b>	<b>\$ 1,816,938</b>	<b>\$ 106,909</b>	<b>\$ 1,923,847</b>

#### Subscription-Based Information Technology Arrangements (SBITA)

CWA has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. CWA is required to make quarterly or annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	Lease Term in Years	Ending Balance
Subscriptions	Various	Various	\$ 474,845
<b>Total</b>			<b>\$ 474,845</b>

## Coastal Water Authority

### Notes to the Financial Statements

The future principal and interest SBITA payments as of fiscal year end are as follows:

Year Ending December 31,	Principal	Interest	Total Requirements
2025	\$ 109,487	\$ 12,469	\$ 121,956
2026	106,387	9,789	116,176
2027	124,261	6,916	131,177
2028	134,710	3,602	138,312
<b>Totals</b>	<b>\$ 474,845</b>	<b>\$ 32,776</b>	<b>\$ 507,621</b>

#### 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, 2024 (100% covered by the plan) was \$8,446,753. Accordingly, the 2024 required contributions for employees was \$337,870 and CWA's requirement, net of forfeitures, was \$960,986. Actual contributions from employees and CWA during the plan year ended September 30, 2024 were \$480,004 and \$1,019,164, 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, 2024.

#### Statement of Net Assets Available for Benefits

##### Assets:

Investments in U.S government agency securities at fair value	\$ 10,834,207
Employer's contribution receivable	8,986
Other receivables	42,098

<b>Net assets available for benefits</b>	<b>\$ 10,885,291</b>
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#### Statement of Changes in Net Assets Available for Benefits

##### Additions to net assets:

##### Investment income:

Net appreciation in fair value of investments	\$ 593,455
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##### Contributions:

Employer	1,019,164
Participants	480,004

Total contributions	1,499,168
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Total additions to net assets	2,092,623
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##### Deductions from net assets:

Benefits paid	1,331,550
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Total deductions from net assets	1,331,550
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Change in net assets	761,073
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Net assets available for benefits, beginning of year	10,124,218
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<b>Net assets available for benefits, end of year</b>	<b>\$ 10,885,291</b>
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## Coastal Water Authority

### Notes to the Financial Statements

The Plan's investments at September 30, 2024 were as follows:

September 30, 2024	Face Value	Fair Value	Amortized Cost
US Treasury Note dated 10/13/2022, 0.625% Due 10/15/2024	\$ 1,075,000	\$ 1,073,257	\$ 1,076,495
US Treasury Note dated 02/01/2023, 1.125% Due 01/15/2025	1,060,000	1,049,524	1,053,469
U S Treasury Note dated 05/01/2024, 2.125% Due 05/15/2025	1,000,000	986,883	989,689
U S Treasury Note dated 05/01/2024, 2.875% Due 06/15/2025	1,000,000	990,945	992,818
U S Treasury Note dated 08/27/2024, 3.5% Due 09/15/2025	1,000,000	995,406	994,163
FHLB Discount Note dated 03/25/2024, 4.74% Due 03/14/2025	500,000	490,535	489,203
Federal Agri Mtg Corp dated 07/16/2024, 4.85% Due 08/14/2025	1,000,000	1,004,415	1,007,187
FHLB dated 02/21/2024, 4.875% Due 02/21/2025	1,000,000	1,001,623	1,004,937
FHLB dated 02/21/2024, 0.5% Due 04/14/2025	1,000,000	979,807	979,917
FHLB dated 02/21/2024, 2.5% Due 03/28/2025	500,000	496,276	494,418
Federal Home Ln Mtg Corp dated 06/04/2024, 0.375% Due 07/21/2025	1,000,000	971,282	964,551
Cash Equivalents; Invesco Government & Agency Institutional Class	794,254	794,254	794,254
<b>Totals</b>	<u>\$ 10,929,254</u>	<u>\$ 10,834,207</u>	<u>\$ 10,841,101</u>

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 \$212,072 during the year ended December 31, 2024 for healthcare premiums as they became due.

##### **C. Employees Covered by Benefit Terms**

The number of employees covered by the benefit terms is 75. Active employees make up 55 of the total and inactive employees make up 20 of this total.

## Coastal Water Authority

### Notes to the Financial Statements

#### D. Total OPEB Liability

The Authority's total OPEB liability of \$8,863,119 was measured as of December 31, 2024 using the alternative measurement method under GASB Statement No. 75.

The total OPEB liability at December 31, 2024 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Age adjustment factor	1.570776
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	4.080%
Measurement date	12/31/2024
Prior measurement date	12/31/2023
Prior year discount rate	4.250%
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	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
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 4.080% 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:

	2024
<b>Total beginning OPEB liability</b>	\$ 7,674,293
Service cost	187,200
Interest on total OPEB liability	329,654
Effect of plan changes	-
Effect of economic/demographic gains or losses	685,610
Effect of assumptions changes or inputs	198,434
Benefit payments	(212,072)
Net change in total OPEB liability	1,188,826
<b>Total ending OPEB liability</b>	<b>\$ 8,863,119</b>

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 (3.080 percent) or 1-percentage-point higher (5.080 percent) than the current discount rate:

	Discount Rate - 1% 3.080%	Baseline 4.080%	Discount Rate + 1% 5.080%
Total OPEB liability	\$ 10,180,560	\$ 8,863,119	\$ 7,785,707

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:

	Medical	Pharmacy	Dental	Vision
	5.800%	11.700%	3.500%	3.000%
	Baseline Trend - 1%	Baseline	Baseline Trend + 1%	
Total OPEB liability	\$ 7,631,863	\$ 8,863,119	\$ 10,386,990	

## Coastal Water Authority

### Notes to the Financial Statements

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

For the year ended December 31, 2024, the Authority recognized OPEB expense of \$1,400,896.

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.

#### **Note 12. 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 99% of revenue. In addition, the Bayport Water System has three major customers. Revenues from these customers represent approximately 76% of total revenues in the Bayport Water System. CWA believes that the possibility of losing any one of these customers is remote.

#### **Note 13. Accounting Change**

As discussed in Note 1 Q., during fiscal year 2024, CWA implemented GASB Statement No. 101, *Compensated Absences*. Although implementation of this pronouncement did not affect beginning net position, the beginning balances of the compensable absences payable liability and the obligation for compensable absences asset have both increased by \$2,784,420.

#### **Note 14. Subsequent Events**

Management has evaluated subsequent events through April 9, 2025, 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) Last Ten Fiscal Years

	2024	2023	2022	2021
<b>TOTAL BEGINNING OPEB LIABILITY</b>	\$ 7,674,293	\$ 4,475,438	\$ 5,145,335	\$ 5,402,916
Service cost	187,200	136,141	181,086	146,143
Interest on total OPEB liability	329,654	92,375	107,525	153,102
Effect of economic/demographic gains or losses	685,610	6,129,727	60,709	(931,427)
Effect of assumptions changes or inputs	198,434	(2,947,316)	(855,804)	538,014
Benefit payments	(212,072)	(212,072)	(163,413)	(163,413)
Net change in total OPEB liability	1,188,826	3,198,855	(669,897)	(257,581)
<b>TOTAL ENDING OPEB LIABILITY</b>	<u>\$ 8,863,119</u>	<u>\$ 7,674,293</u>	<u>\$ 4,475,438</u>	<u>\$ 5,145,335</u>
Covered-employee payroll	\$ 8,446,753	\$ 7,960,599	\$ 7,921,499	\$ 7,592,887
Total OPEB Liability as a percentage of covered-employee payroll	105%	96%	56%	68%

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, 2024. 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.

<b>2020</b>	<b>2019</b>	<b>2018</b>
\$ 5,331,943	\$ 4,921,560	\$ 4,687,332
203,689	189,253	368,798
178,290	172,329	125,386
(532,755)	33,961	479,744
356,032	100,189	(657,800)
(134,283)	(85,349)	(81,900)
70,973	410,383	234,228
<u>\$ 5,402,916</u>	<u>\$ 5,331,943</u>	<u>\$ 4,921,560</u>
\$ 7,277,961	\$ 7,001,888	\$ 6,510,144
74%	76%	76%

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## **Other Supplementary Information**

# Coastal Water Authority

## Schedule I - Schedule of Net Position by System December 31, 2024

	Luce Bayou Interbasin Transfer Project	Trinity River Water Conveyance System Project	Lake Houston Facilities Project
<b>ASSETS</b>			
Current assets unrestricted:			
Cash and cash equivalents	\$ 1,292,557	\$ 22,350,799	\$ 744,427
Investments	-	36,681	-
Receivables:			
Accounts receivable from City of Houston	411,445	3,213,586	467,135
Accounts receivable from other customers	-	-	86,250
Compensable absences current portion	45,900	377,400	56,100
Current portion loan receivable from City of Houston	-	724,438	-
Interfund receivable and payable, net	(254,401)	440,743	(80,078)
Total current assets unrestricted	1,495,501	27,143,647	1,273,834
Current assets restricted:			
Cash and cash equivalents - restricted for contingencies	-	60,594	40,396
Cash and cash equivalents - restricted for debt service	-	228,697	-
Cash and cash equivalents - restricted for capital projects	47,472,965	24,790,839	-
Investments - restricted for contingencies	-	2,943,907	1,962,605
Investments - restricted for debt service	-	9,129,205	-
Investments - restricted for capital projects	183,037	96,093	-
Total current assets restricted	47,656,002	37,249,335	2,003,001
Capital assets, net of depreciation and amortization	344,232,753	173,910,584	16,823,591
Other assets:			
Interest receivable from City of Houston	67,687,185	-	-
Obligation for compensable absences	413,100	3,396,600	504,900
Long-term loan receivable from City of Houston	-	12,517,842	-
Total other assets	68,100,285	15,914,442	504,900
Total assets	461,484,541	254,218,008	20,605,326
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	48,773	-
<b>LIABILITIES</b>			
Current liabilities unrestricted:			
Accounts payable	44,176	3,731,488	51,086
Unearned revenue	-	5,169,882	-
Compensable absences - current	45,900	377,400	56,100
Current portion of leases payable	28,763	95,879	28,764
Current portion of subscription payable	-	109,487	-
Total current liabilities unrestricted	118,839	9,484,136	135,950
Current liabilities restricted:			
Current portion of bonds and loans payable	4,020,000	10,015,000	-
Bond, lease, subscription and interest payable	44,009	154,311	306
Total current liabilities restricted	4,064,009	10,169,311	306
Long-term liabilities:			
Bonds payable, net	30,800,000	52,454,558	-
Long-term loans	304,574,000	-	-
Leases payable	243,777	812,590	243,777
Subscription payable	-	365,358	-
Interest payable	68,143,240	-	-
Compensable absences payable	413,100	3,396,600	504,900
Other postemployment benefits	638,052	5,016,370	1,273,608
Total long-term liabilities	404,812,169	62,045,476	2,022,285
Total liabilities	408,995,017	81,698,923	2,158,541
<b>TOTAL NET POSITION</b>	<b>\$ 52,489,524</b>	<b>\$ 172,567,858</b>	<b>\$ 18,446,785</b>

Bayport Water System Project		Red Bluff Water Treatment Plant Project	Totals
\$	4,409,548	\$ 884,590	\$ 29,681,921
	1,171,642	211,961	1,420,284
	-	-	4,092,166
	436,856	326,525	849,631
	58,829	73,539	611,768
	-	-	724,438
	(66,147)	(40,117)	-
	6,010,728	1,456,498	37,380,208
	-	-	100,990
	-	-	228,697
	-	-	72,263,804
	-	-	4,906,512
	-	-	9,129,205
	-	-	279,130
	-	-	86,908,338
	15,129,863	3,125,389	553,222,180
	-	-	67,687,185
	94,171	79,461	4,488,232
	-	-	12,517,842
	94,171	79,461	84,693,259
	21,234,762	4,661,348	762,203,985
	-	-	48,773
	69,315	58,608	3,954,673
	-	-	5,169,882
	58,829	73,539	611,768
	19,176	19,176	191,758
	-	-	109,487
	147,320	151,323	10,037,568
	-	-	14,035,000
	204	204	199,034
	204	204	14,234,034
	-	-	83,254,558
	-	-	304,574,000
	162,518	162,518	1,625,180
	-	-	365,358
	-	-	68,143,240
	94,171	79,461	4,488,232
	973,489	961,600	8,863,119
	1,230,178	1,203,579	471,313,687
	1,377,702	1,355,106	495,585,289
\$	19,857,060	\$ 3,306,242	\$ 266,667,469

# Coastal Water Authority

## Schedule II - Schedule of Revenues, Expenses, and Changes in Net Position by System Year Ended December 31, 2024

	Luce Bayou Interbasin Transfer Project	Trinity River Water Conveyance System Project	Lake Houston Facilities Project
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 5,097,000	\$ 29,015,661	\$ 3,305,267
Funds provided by San Jacinto River Authority	-	139,891	-
Service revenues	-	-	-
Total operating revenues	5,097,000	29,155,552	3,305,267
<b>OPERATING EXPENSES</b>			
Utilities	1,213,484	7,159,953	174,916
Field salaries	1,267,219	4,410,792	1,012,797
Administrative	489,557	1,927,337	486,915
General operating	861,482	2,128,054	546,493
Materials and supplies	448,310	7,569,990	184,799
Engineering, legal, and professional	159,141	1,542,694	297,464
Contract labor and equipment	580,117	4,204,647	671,301
Depreciation and amortization expense	604,264	5,561,134	739,779
Total operating expenses	5,623,574	34,504,601	4,114,464
Operating income (loss)	(526,574)	(5,349,049)	(809,197)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	2,494,554	1,526,861	140,194
Interest income	-	556,163	-
Bond interest expense, net of amortization of bond issues	(1,017,227)	(1,590,444)	-
Gain on sale of capital assets	6,923	110,279	1,106
Loan interest expense	(11,812,317)	-	-
Lease interest expense	(4,172)	(12,786)	(3,836)
Subscription interest expense	-	(1,430)	-
Other income	193	146,045	-
Total nonoperating revenues (expenses)	(10,332,046)	734,688	137,464
Income (Loss) before contributions	(10,858,620)	(4,614,361)	(671,733)
<b>CONTRIBUTIONS</b>	16,685,106	9,453,117	-
Changes in net position	5,826,486	4,838,756	(671,733)
Net position - beginning of year	46,663,038	167,729,102	19,118,518
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 52,489,524</u>	<u>\$ 172,567,858</u>	<u>\$ 18,446,785</u>

<b>Bayport Water System Project</b>	<b>Red Bluff Water Treatment Plant Project</b>	<b>Totals</b>
\$ -	\$ -	\$ 37,417,928
-	-	139,891
2,173,743	1,922,251	4,095,994
2,173,743	1,922,251	41,653,813
40,234	113,073	8,701,660
554,132	532,515	7,777,455
309,117	340,359	3,553,285
380,850	346,790	4,263,669
110,369	577,490	8,890,958
53,674	50,262	2,103,235
398,892	151,249	6,006,206
412,040	121,285	7,438,502
2,259,308	2,233,023	48,734,970
(85,565)	(310,772)	(7,081,157)
241,694	58,523	4,461,826
-	-	556,163
-	-	(2,607,671)
45,840	6,000	170,148
-	-	(11,812,317)
(2,557)	(2,557)	(25,908)
-	-	(1,430)
385	193	146,816
285,362	62,159	(9,112,373)
199,797	(248,613)	(16,193,530)
-	-	26,138,223
199,797	(248,613)	9,944,693
19,657,263	3,554,855	256,722,776
<u>\$ 19,857,060</u>	<u>\$ 3,306,242</u>	<u>\$ 266,667,469</u>



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## **Other Information**

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
 Budgetary and Actual (Cash Basis) – All Systems (Unaudited)  
 Year Ended December 31, 2024

	Luce Bayou Interbasin Transfer Project		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 21,508,900	\$ 19,739,231	\$ (1,769,669)
Interest income	4,000	-	(4,000)
Total operating revenues	21,512,900	19,739,231	(1,773,669)
<b>OPERATING EXPENSES</b>			
Utilities	2,475,000	1,213,482	1,261,518
Field salaries	1,720,100	1,279,219	440,881
Administrative	692,900	520,263	172,637
General operating	752,100	671,270	80,830
Materials and supplies	261,700	447,579	(185,879)
Engineering, legal, and professional	132,100	159,140	(27,040)
Contract labor and equipment	649,575	565,094	84,481
Total operating expenses	6,683,475	4,856,047	1,827,428
Operating income	14,829,425	14,883,184	53,759
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Bond interest expense	(1,021,764)	(1,021,764)	-
Bond principal retirement	(3,925,000)	(3,925,000)	-
Loan principal expense	(8,405,098)	(8,405,098)	-
Loan interest expense	(1,252,806)	(1,252,806)	-
Total nonoperating revenues (expenses)	(14,604,668)	(14,604,668)	-
<b>CHANGE IN NET POSITION</b>	<u>\$ 224,757</u>	<u>\$ 278,516</u>	<u>\$ 53,759</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
Year Ended December 31, 2024

	Trinity River Water Conveyance System Project		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 38,692,800	\$ 35,390,683	\$ (3,302,117)
Funds provided by San Jacinto River Authority	120,000	139,890	19,890
Interest on investments	120,000	338,197	218,197
Other Income	100,000	146,047	46,047
Total operating revenues	39,032,800	36,014,817	(3,017,983)
<b>OPERATING EXPENSES</b>			
Utilities	7,611,700	7,074,271	537,429
Field salaries	4,308,600	4,388,052	(79,452)
Administrative	1,957,900	2,022,784	(64,884)
General operating	1,727,800	1,545,210	182,590
Materials and supplies	8,454,100	7,549,262	904,838
Engineering, legal, and professional	666,300	1,307,780	(641,480)
Contract labor and equipment	7,228,100	5,175,112	2,052,988
Total operating expenses	31,954,500	29,062,471	2,892,029
Operating income	7,078,300	6,952,346	(125,954)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Bond interest expense	(1,789,800)	(1,722,331)	67,469
Bond principal retirement	(4,735,000)	(4,735,000)	-
Paying agent fees	-	(2,075)	(2,075)
Total nonoperating revenues (expenses)	(6,524,800)	(6,459,406)	65,394
<b>CHANGE IN NET POSITION</b>	<u>\$ 553,500</u>	<u>\$ 492,940</u>	<u>\$ (60,560)</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
Year Ended December 31, 2024

	Lake Houston Facilities Project		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Funds provided by City of Houston	\$ 4,517,000	\$ 3,043,980	\$ (1,473,020)
Interest on investments	100,000	137,291	37,291
Other Income	30,000	-	(30,000)
Total operating revenues	4,647,000	3,181,271	(1,465,729)
<b>OPERATING EXPENSES</b>			
Utilities	152,700	174,993	(22,293)
Field salaries	1,390,900	1,008,798	382,102
Administrative	606,500	516,622	89,878
General operating	411,400	368,170	43,230
Materials and supplies	294,100	184,799	109,301
Engineering, legal, and professional	168,000	297,465	(129,465)
Contract labor and equipment	1,391,100	759,319	631,781
Total operating expenses	4,414,700	3,310,166	1,104,534
Operating income (loss)	232,300	(128,895)	(361,195)
<b>CHANGE IN NET POSITION</b>	<u>\$ 232,300</u>	<u>\$ (128,895)</u>	<u>\$ (361,195)</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
Year Ended December 31, 2024

	Bayport Water System Project		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Interest on investments	\$ 120,000	\$ 250,799	\$ 130,799
Service revenues	2,597,062	2,145,429	(451,633)
Other Income	-	385	385
Total operating revenues	2,717,062	2,396,613	(320,449)
<b>OPERATING EXPENSES</b>			
Utilities	70,000	42,249	27,751
Field salaries	793,600	552,132	241,468
Administrative	378,300	329,501	48,799
General operating	292,400	261,968	30,432
Materials and supplies	224,700	162,359	62,341
Engineering, legal, and professional	93,000	60,687	32,313
Contract labor and equipment	685,400	384,665	300,735
Total operating expenses	2,537,400	1,793,561	743,839
Operating income	179,662	603,052	423,390
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Construction program	(3,020,000)	-	3,020,000
Total nonoperating revenues (expenses)	(3,020,000)	-	3,020,000
<b>CHANGE IN NET POSITION</b>	<u>\$ (2,840,338)</u>	<u>\$ 603,052</u>	<u>\$ 3,443,390</u>

## Coastal Water Authority

Schedule III - Schedule of Revenues, Expenses, and Changes in Net Position –  
Budgetary and Actual (Cash Basis) – All Systems (Unaudited) – Continued  
Year Ended December 31, 2024

	Red Bluff Water Treatment Plant Project		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Interest on investments	\$ 18,800	\$ 58,095	\$ 39,295
Service revenues	2,027,000	1,900,737	(126,263)
Other Income	-	193	193
Total operating revenues	2,045,800	1,959,025	(86,775)
<b>OPERATING EXPENSES</b>			
Utilities	127,300	113,518	13,782
Field salaries	700,000	529,515	170,485
Administrative	337,700	379,928	(42,228)
General operating	250,700	240,136	10,564
Materials and supplies	538,700	578,866	(40,166)
Engineering, legal, and professional	90,200	48,705	41,495
Contract labor and equipment	388,000	145,674	242,326
Total operating expenses	2,432,600	2,036,342	396,258
Operating loss	(386,800)	(77,317)	309,483
<b>CHANGE IN NET POSITION</b>	<u>\$ (386,800)</u>	<u>\$ (77,317)</u>	<u>\$ 309,483</u>