



Comprehensive Annual Financial Report

Gulf Coast Water Authority

Texas City, Texas

For the Fiscal Year Ended August 31, 2015

Prepared by:

Ivan Langford
General Manager

Bob Webb
Business Manager



Gulf Coast Water Authority
3630 FM 1765
Texas City, Texas 77591

GULF COAST WATER AUTHORITY

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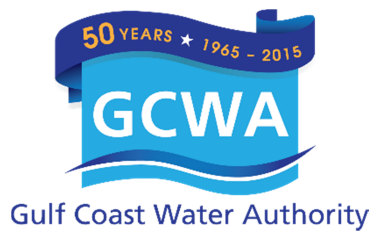
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INTRODUCTORY SECTION



Gulf Coast Water Authority



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January 20, 2016

To the Board of Directors
Gulf Coast Water Authority
Texas City, Texas

We are pleased to submit the Comprehensive Annual Financial Report (the "CAFR") of the Gulf Coast Water Authority (the "Authority") for the fiscal year ended August 31, 2015. The purpose of the CAFR is to provide reliable financial information about the Authority to the Authority's Board of Directors, customers, and other interested parties. The Authority's Accounting Department has prepared the CAFR in accordance with generally accepted accounting principles ("GAAP"). Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective of such internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Our auditor, Sandersen Knox & Co., L.L.P., Certified Public Accountants, has issued an unmodified ("clean") opinion on the Authority's financial statements for the year ended August 31, 2015. The independent auditors' report is located at the front of the financial section of the CAFR.

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government Agency

The Gulf Coast Water Authority (then named the Galveston County Water Authority) was created in 1965 by the 59th regular session of the Texas Legislature. The Authority is a conservation and reclamation district, body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution.

The Authority provides water for industry, agriculture, and municipalities in Brazoria, Fort Bend, and Galveston County.

You can trace the beginnings of the Authority back to 1908 with the creation of the Cane and Rice Belt Irrigation Company and construction of a pump station on the Brazos River. In the early 1930s, additional pump stations and relift stations on the system were added as well as extensions to the canal system, eventually running through Brazoria County and reaching into Galveston County. In 1940, the Briscoe Irrigation System consisting of an additional pump station on the Brazos and more canals were established. These two original systems were purchased by the Brazos River Authority in 1966 and 1967. In 1988, the Authority bought the Canal Division from the Brazos River Authority. This allowed the Authority to provide water supply for industry, irrigation, and municipal use in what ultimately became the three-county area of Brazoria, southern Fort Bend, and Galveston. In 2006, the Authority purchased the Chocolate Bayou Water Company, aka Juliff Canal System, which included another pump station on the Brazos River as well as pump stations on three bayous in Brazoria County: Chocolate, Mustang and Halls.

The Authority's Board of Directors consists of nine members. Each director is appointed for two-year terms with seven members appointed by the Galveston County Commissioner's Court, one member appointed by the Brazoria County Commissioner's Court, and one member appointed by the Fort Bend County Commissioner's Court. Three of the members appointed by Galveston County Commissioner's Court are required to be registered professional engineers.

Statute specifies for the Galveston County appointments that two directors are recommended by the Industrial Advisory Committee, two directors are recommended by the Mainland Municipal Advisory Committee, one director is recommended by the City Council of the City of Galveston, and two directors are appointed at-large. The Brazoria County and Fort Bend County directors are at-large appointments.

The 83rd Texas Legislature passed HB 4168 sponsored by Representative Dennis Bonnen and became effective on June 18, 2015. This legislation makes two significant changes; one authorizes the Authority to purchase and sell electricity in connection with the acquisition of water. The second change creates a new ten member Board of Directors with five appointed by Galveston County Commissioners Court, three by Brazoria County Commissioners Court and two by Fort Bend Commissioners Court. The new Board takes office September 1, 2015.

The Authority's operations are divided into three separate divisions as described below.

Canal Division - The Authority's Canal Division operates out of its office located in Alvin. The division operates the American, Briscoe, and Juliff/Chocolate Bayou Canal systems. This includes approximately 400 miles of main-line canals and laterals, and about 380,000 ac-ft. of water rights on the lower basin of the Brazos River. Historically, river water is delivered to 1) approximately 18,000 acres of commercial and hybrid seed rice are irrigated annually in Brazoria and Galveston Counties as well as a Rice Research Facility located outside of Alvin, Texas, providing world-wide technology for the rice industry, 2) industrial customers served by the Canal Division include INEOS Olefins and Polymers, and Ascend Performance Materials, 3) municipal customers served include the cities of Sugar Land, Pearland and Missouri City, as well as Ft. Bend WCID #2 and Pecan Grove MUD, and 4) to the Industrial and Municipal divisions in Galveston County.

Industrial Division - Prompted by land subsidence caused by the over withdrawal of groundwater, a private venture by Texas City industries in the late 1940's constructed an extension of the Briscoe and American canal system to provide surface water to the rapidly growing industrial complex following World War II. Through acquisitions and exchanges, the Industrial Division was acquired by the Authority in 1971. The Industrial Division operates an 8,700 acre-feet off-channel reservoir, a canal system, and a pump station delivering 60 million gallons of surface water per day to Texas City industries. Industrial customers served include DOW/Union Carbide Corp., Marathon Galveston Bay Refinery, Marathon Texas Refining, Valero Refining Texas, Eastman Chemical Company, and Ashland Specialty Chemicals.

Water Treatment – The Authority owns and operates the Thomas S. Mackey Water Treatment Plant located in Texas City. The 50 million gallon per day (MGD) conventional surface water plant serves 13 water utilities in Galveston County. The plant was originally constructed by the City of Texas City in 1978 and acquired by the Authority in 1983. Those customers include the cities of Texas City, LaMarque, Galveston, Hitchcock, League City, GCWCID #1, GCWCID #8, GCWCID #12, GCFWD #6, GCMUD 12, Bacliff MUD, Bayview MUD and San Leon MUD.

The Authority's Administrative Office is located in Texas City where all management, financial, human resources, purchasing, and land administration are provided. The Authority's Board of Directors meets at the Administrative Office on the third Thursday of each month. Board members are actively engaged in the operation of the Authority through its five standing board committees, Finance & Insurance, Personnel & Compensation, Safety, Engineering, and Organization & Planning.

ECONOMIC CONDITIONS AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts June 2015 issue of "The Texas Economy-Economic Outlook," Texas added jobs in all of the 11 major industries. "Pre-recession Texas employment peaked at 10,638,100 in August 2008, a level that was surpassed in November 2011, and by February 2015 Texas added an additional 1,129,800 jobs. Job growth, sales tax collections and building permits all signal that the Texas economy continues to outpace the national economy...Texas' unemployment was 4.2 percent for April 2015, down from 5.2 percent in April 2014. The Texas unemployment rate has been at or below the national rate for 100 consecutive months."

The Local & Regional Economy. The Authority and its customers are part of the Greater Houston Metropolitan Area. According to the Texas Workforce Commission, the Houston Metro Area lost 400 jobs in April '15. This marks the beginning of the anticipated downturn in nonfarm employment precipitated by the drop in oil prices that began last fall. For the 12-months ending April '15, the region created 69,100 jobs. As the Houston region moves deeper into '15, the 12-month total will continue to decline. On the brighter side, The Houston-Galveston Area Council (HGAC) is projecting the eight county region will add more than 1.4 million jobs over the next 25 years, with the fastest growing area to be Fort Bend County. Continued population growth within the Authority's service area will necessitate the demand for more water.

The Authority does not receive money from the State of Texas, nor does it collect any type of taxes. Income is primarily derived from the sale and distribution of water. This revenue covers the cost of operation and maintenance as well as repayment of outstanding debt. Revenue bonds are sold to finance large, capital improvement projects needed to maintain the Authority's vast investment in infrastructure to insure reliable delivery of water to its customers.

IMPACT OF ONGOING TEXAS DROUGHT

No financial report on any Texas surface water provider would be complete without a discussion of the most recent Texas drought. For the Authority, recognition of the drought began in 2009. Each year since, the Authority has struggled with securing enough stored water commitments from the Brazos River Authority to insure a reliable water supply for its customers whenever the Authority's 'run of the river' water rights were not available due to extreme low flows in the lower Brazos River. Purchase of that additional stored water supply as insurance against low river flows has sustained the Authority's ability to meet customer's demands. In January 2014 however, the Brazos River Authority notified the Authority that the low water levels in their eleven reservoirs would prevent them from making additional stored water available for 2014. As a result, the Authority could not make a firm commitment to its agricultural customers that water would be available for the first time in the Authority's 50 year history. Thus, the Authority was only able to irrigate 3,100 acres of rice instead of its average 18,000 acres. While the drought officially ended with massive rainfalls across the State in April/May 2015, it was too late in the growing season for rice irrigation to return resulting in only 6,000 acres of rice being irrigated in 2015.

The drought ended with the rainfalls that began in late April, 2015. According to the National Center of Environmental Information (formerly the National Climate Data Center), precipitation total for the contiguous U.S. was the wettest May of any month in the 121-years of recording keeping. State wide, it was the wettest May in Texas. As of June 2015, only 0.53% of the state of Texas remains in a Moderate Drought condition. The state's reservoirs are 83.8% full. Thus, the Authority anticipates the ability to purchase 60,000 acre/feet of stored water from the Brazos River Authority in 2016 to insure we can meet anticipated demand from our entire customer base.

FINANCIAL INFORMATION

Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As demonstrated by the statements and schedules included in the financial section of this report as well as the Management Discussion and Analysis ("MD&A") also included herein, the Authority continues to meet its responsibility for sound financial management. The Authority recommends that readers closely review each section of this report including the review provided by the MD&A in order to have a thorough understanding of the Authority, its activities, financial position, and results of operations.

MAJOR INITIATIVES

For 2014-2015. One of the Authority's major initiatives for Fiscal Year 2015 included the completion of the 'Horse Barn' syphon on the Industrial Canal. The Industrial Canal, originally constructed in 1948 serves as the raw water delivery system for both the Thomas Mackey Water Treatment Plant and the Texas City Industrial Pump Station – both with a combined contract capacity of 110 million gallons per day. The 'Horse Barn' syphon is one of 10 roadway/drainage/pipeline crossings along this five mile section of canal. Project cost was \$2.4 million and completed in December 2014. The project entailed tunneling an 84" diameter pipe a distance of 200' under and between 14 petrochemical pipelines.

Another major initiative of the Industrial Division was raising the elevation of the southeast section of the Texas City Reservoir levee. The south and east levees of the reservoir are key components of the Texas City Hurricane Protection Levee surrounding the city. The reservoir, originally constructed in 1948, was found to have subsided below the minimum elevation of 21' as determined by the Corps of Engineers. Project cost was \$685,000 to raise the levee and restore the roadway along the top of the levee.

Annual reconditioning of pumps and motors across all of the Authority's assets totaled over \$540,000. This included pumps/motors at the Industrial Pump Station, Water Treatment Plant, and Briscoe Pump Station on the Brazos.

Major initiatives at the Water Treatment Plant included the rehabilitation of Clarifier #4 at a cost of \$220,000. Additionally, the Clearwell Pump Station Header Pipe was replaced at a cost \$120,000.

A significant rolling stock purchase was a new Mack haul truck to replace a 1997 Ford 9000 haul truck at a cost of \$155,000.

Meanwhile behind the scenes the Authority's Accounting Department initiated a complete replacement and upgrade of its financial software. The conversion between one vendor's software to another vendor's software is painful, tedious, time-consuming, and challenging to management and staff. The conversion was successfully completed, providing a substantially more robust integrated accounting, financial, and payroll system.

In the near term. The Authority plans to replace the 1950's era Industrial Pump Station. This project is estimated at \$23 million. The Authority also plans to replace all of the inlet and outlet flow control structures on the 1948 Texas City Industrial Reservoir. This project is estimated at \$9.2 million and is on the same timeline as the Industrial Pump Station replacement.

Long-term projects: The Authority remains focused on finding additional raw water supplies to supplement the Authority's Brazos River water rights and stored water from the Brazos River Authority. While the multi-year drought ended in May 2015, the Authority learned from that experience that alternative water supplies are needed to avoid future water shortages.

ACKNOWLEDGEMENTS

Independent Audit. Section 49.191 of the Texas Water Code requires an annual audit of the Authority's accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Sandersen Knox & Co., L.L.P., was selected by the Board for the 2015 fiscal year. We appreciate their professionalism, timeliness, and assistance in completing this report.

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded the Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended August 31, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

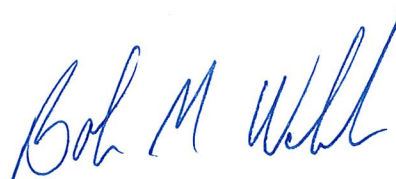
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such as CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another Certificate of Achievement.

Our Employees. We congratulate our employees for another successful year of operation. Without their dedication and professionalism, we could not have provided such a high level of service to the customers of the Authority's service area. In addition, the preparation of this Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated staff of the Authority's Accounting Department.

Sincerely,



Ivan Langford
General Manager



Bob Webb
Business Manager

GULF COAST WATER AUTHORITY

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Gulf Coast Water Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

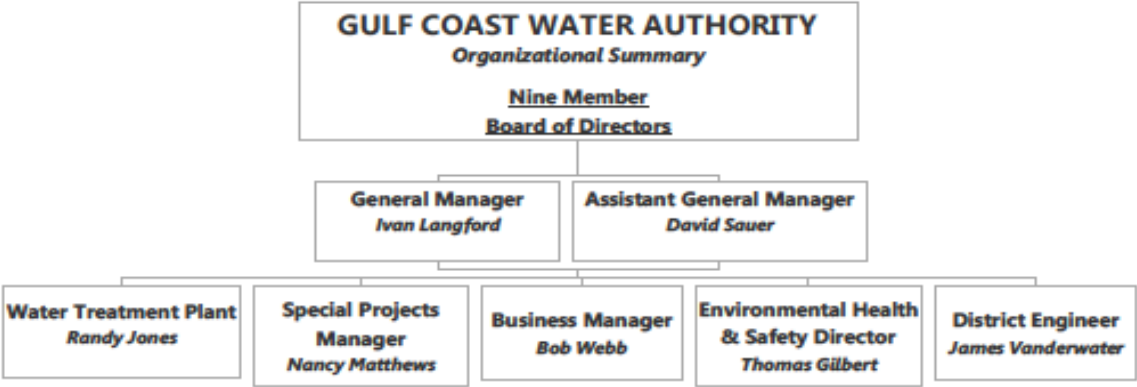
August 31, 2014



Executive Director/CEO

GULF COAST WATER AUTHORITY

Administration Organization Chart

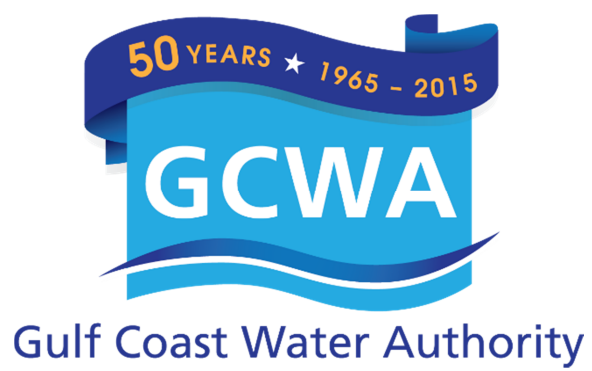


GULF COAST WATER AUTHORITY

Board of Directors

POSITION & NAME	TITLE & COMMITTEES SERVED	TERM*
MUNICIPAL POSITION NO. 1 Mr. James McWhorter (409) 935-2438 jmcwhorter@gcwater.org	President Engineering Organization & Planning	2013 - 2015
FORT BEND COUNTY-WIDE POSITION NO. 1 Mr. Russell C Jones (409) 935-2438 rjones@gcwater.org	Vice President Finance & Insurance Organization & Planning	2013 - 2015
INDUSTRIAL POSITION NO. 1 Mrs. Sue Edrozo (409) 935-2438 redrozo@gcwater.org	Secretary / Treasurer Engineering Organization & Planning	2013 - 2015
MUNICIPAL POSITION NO. 2 Mr. Gary Potter (409) 935-2438 gpotter@gcwater.org	Assistant Secretary / Treasurer Finance & Compensation Safety	2014 - 2016
INDUSTRIAL POSITION NO. 2 Mr. James Cesarini (409) 935-2438 jcesarini@gcwater.org	Director Engineering Safety	2014 - 2016
BRAZORIA COUNTY-WIDE NO. 1 Mr. Cliff Mock (409) 935-2438 cmock@gcwater.org	Director Finance & Insurance Personnel & Compensation	2013 - 2015
GALVESTON COUNTY-WIDE NO. 1 Mr. Ray Holbrook (409) 935-2438 rhobrook@gcwater.org	Director Organization & Planning Personnel & Compensation	2013 - 2015
GALVESTON COUNTY-WIDE NO. 2 Mr. Shane Hamilton (409) 935-2438 shamilton@gcwater.org	Director Personnel & Compensation Safety	2014 - 2016
CITY OF GALVESTON Mr. George F. Black (409) 935-2438 gblack@gcwater.org	Director Engineering Finance & Insurance	2014 - 2016

*(All terms ending 8/31/2015 per HB 4185)



FINANCIAL SECTION





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Independent Auditors' Report

To the Board of Directors
Gulf Coast Water Authority
Texas City, Texas

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Gulf Coast Water Authority, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Gulf Coast Water Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Gulf Coast Water Authority, as of August 31, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5-10 and 42-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gulf Coast Water Authority's basic financial statements. The introductory section, combining nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and the combining nonmajor fund financial statements on pages 49-52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Sugar Land, Texas
January 20, 2016

GULF COAST WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Gulf Coast Water Authority (the "Authority") offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total assets and deferred outflows of resources were \$171,240,287; of this amount, \$122,436,474 represents capital assets, net of depreciation and \$30,241,911 represents cash and cash equivalents under both current and restricted assets. Investments held as of August 31, 2015 totaled \$11,556,325.
- Liabilities for the Authority totaled \$37,733,279 of which \$29,456,896 accounts for obligations under long-term debt.
- The Authority's total assets and deferred outflows of resources exceeded liabilities by \$133,507,008. This amount represents net position; of this amount, \$88,666,881 represents net investment in capital assets. An additional \$4,157,474 is restricted net position and the remaining \$40,682,653 represents unrestricted net position.
- Operating expenses for the Authority at year-end were \$33,268,968 and exceeded operating revenues by \$1,299,836.
- Non-operating expenses exceeded non-operating revenues by \$108,894.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements include two components: 1) business-type financial statements, and 2) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

ENTERPRISE FUNDS

Enterprise Funds are used to report the same functions presented as business-type activities in the basic financial statements. The Authority's major Enterprise Funds are described in Note 1B and are presented as follows:

- Industrial Division
- League City Southeast Water Purification Plant ("SEWPP")
- Water Treatment Plant Division
- Canal Division
- 1998 A-B South Projects
- 1998 C Series Texas City Projects
- 2002 Galveston Projects
- Chocolate Bayou Division
- Pearland Southeast Water Purification Plant ("SEWPP")

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

STATEMENT OF NET POSITION

The Statement of Net Position for the Authority is presented as one of the required basic financial statements. The Statement of Net Position includes all of the Authority's assets and liabilities. A major function of the Statement of Net Position is to measure the ability of the Authority to meet its current and long-term obligations. In the Statement of Net Position, the difference between total assets and total liabilities is titled as Net Position.

State and local governments report the net value or "Net Position" in these major categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The Governmental Accounting Standards Board ("GASB") believes the users of the Authority's financial statements should know whether "Net Position" were invested in capital assets, are restricted for future use or their future use is unrestricted.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets exceeded liabilities by \$133,507,008 at the close of the most recent fiscal year.

As of August 31, 2015 and 2014

	2015	2014
Assets		
Current assets	\$ 47,959,329	\$ 48,632,722
Capital assets	122,436,474	128,427,780
Total Assets	<u>170,395,803</u>	<u>177,060,502</u>
Deferred Outflows of Resources	<u>844,484</u>	<u>198,271</u>
Liabilities		
Current liabilities	8,276,383	8,082,921
Noncurrent liabilities	29,456,896	34,260,114
Total Liabilities	<u>37,733,279</u>	<u>42,343,035</u>
Net Position		
Net investment in capital assets	88,666,881	89,968,160
Restricted:		
Debt service	3,660,154	3,909,043
Construction	497,320	493,815
Unrestricted	40,682,653	40,544,720
Total Net Position	<u>\$ 133,507,008</u>	<u>\$ 134,915,738</u>

- Capital assets decreased by approximately \$6.0 million, a 4.7% decrease from the prior year mainly due to a combination of increased depreciation and lower capital expenditures. Depreciable capital assets increased by \$14,277,635, of which \$9,964,883 came from construction in progress. The increase in depreciable capital assets is highlighted with two projects: Industrial Fund-Horsebarn Project (\$2.30 million) and 2002 Galveston Projects-Capitalized Costs (\$4.40 million).
- Deferred outflows of resources increased by approximately \$0.6 million, a 325.9% increase from the prior year due to the implementation of Governmental Accounting Standards Board Statement No. 68 ("GASB 68") which resulted in the recording of deferred outflows of resources related to the Authority's pension plan.
- Noncurrent liabilities decreased by approximately \$4.8 million, a 14.0% decrease from the prior year primarily due to payments of bond principal in the amount of \$4.5 million.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

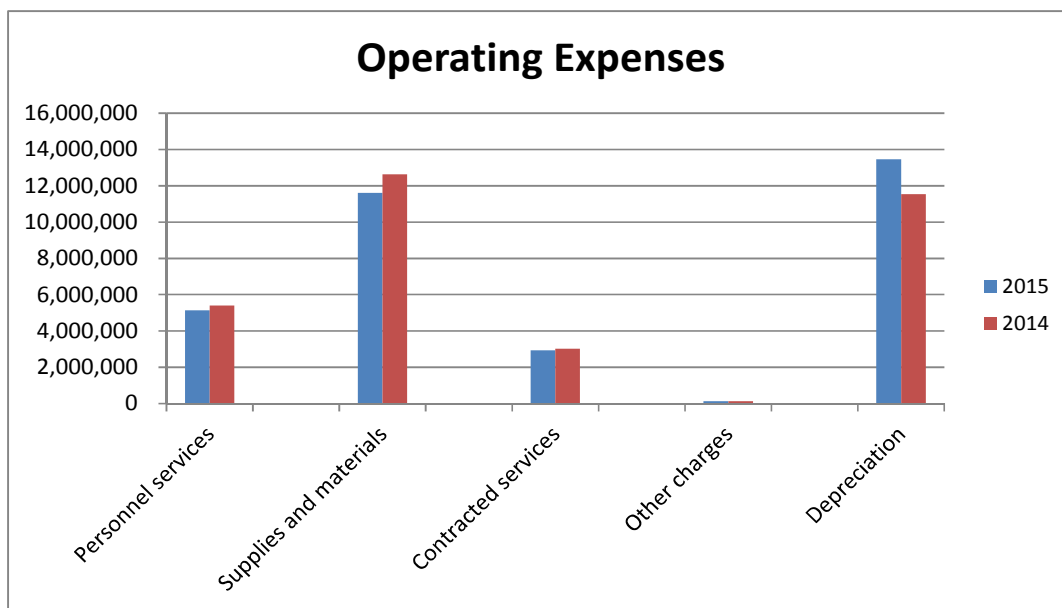
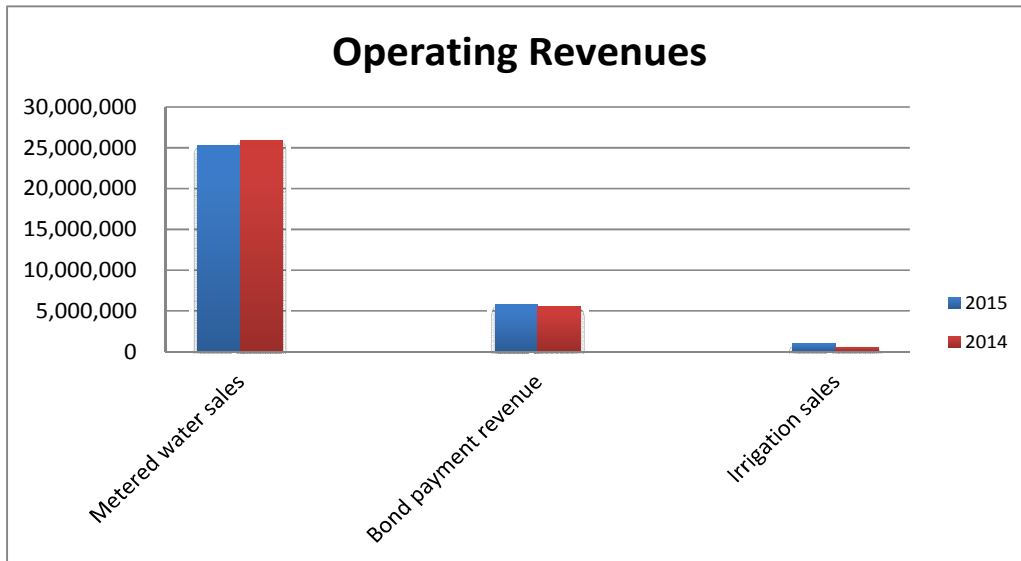
The Statement of Revenues, Expenses and Changes in Net Position measures how well annual costs are covered by fees and charges. The Authority does not seek to earn a profit in the long term. However, the Authority must cover its operations, maintenance and other costs, and provide sufficient reserves annually from fees and charges since the Authority does not levy or collect any tax revenue.

For the Years Ended August 31, 2015 and 2014

	2015	2014
Operating Revenues:		
Metered water sales	\$ 25,230,737	\$ 25,858,256
Bond payment revenue	5,788,454	5,498,227
Irrigation sales	949,941	520,201
Total Operating Revenues	31,969,132	31,876,684
Operating Expenses:		
Personnel services	5,151,318	5,404,157
Supplies and materials	11,602,676	12,635,660
Contracted services	2,940,853	3,032,538
Other charges	127,263	128,547
Depreciation	13,446,858	11,521,295
Total Operating Expenses	33,268,968	32,722,197
Operating (Loss)	(1,299,836)	(845,513)
Nonoperating Revenues (Expenses)	(108,894)	2,806,194
Income (Loss) Before Transfers	(1,408,730)	1,960,681
Change in Net Position		
Net Position at Beginning of Year	134,915,738	132,955,057
Net Position at End of Year	\$ 133,507,008	\$ 134,915,738

- Metered water sales decreased by approximately \$0.5 million, due to reduced water purchases for League City from the City of Houston Southeast Water Purification Plant.
- Irrigation sales increased by \$429,740, an 82.6% increase from the prior year due to a price increase of 20% per acre foot of water, from \$113.51 per acre foot to \$135.88 with an increase in the number of acres irrigated and an increase in spot water irrigation sales.
- Supplies and materials decreased by approximately \$1.0 million, an 8.2% decrease from the prior year due to less supplemental water (irrigation water) purchased and a reduction of \$0.6 million purchased from the City of Houston for League City and the City of Pearland.
- Depreciation expense increased by approximately \$1.9 million, an increase of 16.7% from the prior fiscal year primarily due to an increase in depreciable capital assets of \$14,277,635. The increase in depreciable assets is highlighted with (2) two projects: Industrial Fund-Horsebarn Project (\$2.30 million) and 2002 Galveston Projects-Capitalized Costs (\$4.40 million).

The following charts illustrate the breakdown of the Authority's Operating Revenues and Operating Expenses, respectively.



CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Authority's capital assets totaled \$122,436,474 as of August 31, 2015. These capital assets includes land; construction in progress; office furniture, fixtures and equipment; other machinery and equipment; automobiles and trucks; buildings; and infrastructure. The total net decrease in the Authority's capital assets for the current fiscal year was 4.7%.

	2015	2014
Capital Assets - at cost		
Land	\$ 1,959,587	\$ 1,959,587
Construction in progress	7,993,163	14,350,761
Office furniture, fixtures and equipment	500,501	801,592
Other machinery and equipment	5,451,138	5,372,926
Automobiles and trucks	1,131,529	860,485
Buildings	3,074,596	2,898,983
Infrastructure	235,605,456	222,339,774
Less accumulated depreciation	<u>(133,279,496)</u>	<u>(120,156,328)</u>
Total Capital Assets	<u>\$ 122,436,474</u>	<u>\$ 128,427,780</u>

Additional information on the Authority's capital assets can be found in Note 3 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the Authority had long-term debt of \$34,095,827. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

As of August 31, 2015 and 2014

	2015	2014
Long-Term Debt		
Revenue bonds	\$ 32,300,000	\$ 36,750,000
Bond discounts	1,469,594	1,709,620
Compensated absences	<u>326,233</u>	<u>294,699</u>
Total Long-Term Debt	<u>\$ 34,095,827</u>	<u>\$ 38,754,319</u>

Additional information on the Authority's long-term debt can be found in Note 5 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, 3630 FM 1765, Texas City, Texas 77591.

BASIC FINANCIAL STATEMENTS

GULF COAST WATER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2015

	Business-Type Activities				
	Industrial Division	League City SE Water Purification Plant (SEWPP)	Water Treatment Plant Division	Canal Division	1998 A-B South Projects
<u>Assets</u>					
Current Assets					
Cash and cash equivalents					
Unrestricted cash and cash equivalents	\$ 8,729,352	\$ 370,612	\$ 5,579,358	\$ 6,316,303	\$ 36,649
Restricted cash and equivalents:					
Debt service		139,696			1,614,020
Construction					
Investments					
Unrestricted	3,970,000	5,000	2,370,000	2,000,000	
Restricted		112,498			531,130
Accounts receivable	621,321	349,416	1,271,451	631,835	287,371
Interest receivable	4,664	1,013	3,301	3,586	4,014
Prepaid expenses	5,141		5,141	725,795	
Net pension asset	71,706	1,792	319,094	338,813	
Total Current Assets	13,402,184	980,027	9,548,345	10,016,332	2,473,184
Capital Assets					
Capital assets not being depreciated	5,703,627		1,518,579	1,110,576	
Capital assets, net of accumulated depreciation	6,172,005	19,722,605	4,121,746	7,538,938	15,210,588
Total Capital Assets	11,875,632	19,722,605	5,640,325	8,649,514	15,210,588
<u>Deferred Outflows of Resources</u>					
Deferred outflows of resources	67,559	1,689	300,637	319,214	
Total Deferred Outflows of Resources	67,559	1,689	300,637	319,214	
Total Assets and Deferred Outflows of of Resources	\$ 25,345,375	\$ 20,704,321	\$ 15,489,307	\$ 18,985,060	\$ 17,683,772
<u>Liabilities</u>					
Current Liabilities					
Accounts payable and accrued liabilities - unrestricted	\$ 650,035	\$ 638,449	\$ 1,030,430	\$ 586,058	\$
Restricted for debt service:					
Current portion of bonds		220,000			1,260,000
Accrued interest payable		2,074			28,381
Current portion of compensated absences	3,678	208	15,798	19,455	
Total Current Liabilities	653,713	860,731	1,046,228	605,513	1,288,381
Long-Term Debt					
Revenue bonds payable less current maturities		1,261,211			15,651,826
Compensated absences less current portion	20,842	1,179	89,523	110,247	
Total Long-Term Debt	20,842	1,262,390	89,523	110,247	15,651,826
Total Liabilities	674,555	2,123,121	1,135,751	715,760	16,940,207
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	11,875,632	18,241,394	5,640,325	8,649,514	(1,701,238)
Restricted for debt service		250,120			2,116,769
Restricted for construction					
Unrestricted	12,795,188	89,686	8,713,231	9,619,786	328,034
Total Net Position	24,670,820	18,581,200	14,353,556	18,269,300	743,565
Total Liabilities and Fund Equity	\$ 25,345,375	\$ 20,704,321	\$ 15,489,307	\$ 18,985,060	\$ 17,683,772

See Notes to Financial Statements.

- Enterprise Funds

1998 C Series Texas City Projects	2002 Galveston Projects	Chocolate Bayou Division	Pearland SE Water Purification Plant (SEWPP)	Other Enterprise Funds	Eliminations	Totals
\$	\$	\$ 4,371,338	\$ 79,960	\$ 1,802,939	\$	\$ 27,286,511
345,259	2,842 494,478	8,382		350,723		2,460,922 494,478
		1,956,700				10,301,700
287,999				322,998		1,254,625
52,021	140,531	774,882	143,184	164,989		4,437,001
2,094	196	2,850		2,839		24,557
		67,130				803,207
		156,857	1,792	6,274		896,328
<u>687,373</u>	<u>638,047</u>	<u>7,338,139</u>	<u>224,936</u>	<u>2,650,762</u>		<u>47,959,329</u>
		1,024,421		595,547		9,952,750
<u>7,781,750</u>	<u>11,556,221</u>	<u>10,844,804</u>	<u>25,533,486</u>	<u>4,001,581</u>		<u>112,483,724</u>
<u>7,781,750</u>	<u>11,556,221</u>	<u>11,869,225</u>	<u>25,533,486</u>	<u>4,597,128</u>		<u>122,436,474</u>
		147,785	1,689	5,911		844,484
		147,785	1,689	5,911		844,484
<u>\$ 8,469,123</u>	<u>\$ 12,194,268</u>	<u>\$ 19,355,149</u>	<u>\$ 25,760,111</u>	<u>\$ 7,253,801</u>	<u>\$</u>	<u>\$ 171,240,287</u>
\$	\$ 799	\$ 357,547	\$ 284,701	\$ 34,041	\$	\$ 3,582,060
410,000	735,000	1,030,000		935,000		4,590,000
8,644	2,842	8,382		5,070		55,393
		9,307	131	353		48,930
<u>418,644</u>	<u>738,641</u>	<u>1,405,236</u>	<u>284,832</u>	<u>974,464</u>		<u>8,276,383</u>
4,186,448	4,755,000	1,045,000		2,280,108		29,179,593
		52,769	742	2,001		277,303
<u>4,186,448</u>	<u>4,755,000</u>	<u>1,097,769</u>	<u>742</u>	<u>2,282,109</u>		<u>29,456,896</u>
<u>4,605,092</u>	<u>5,493,641</u>	<u>2,503,005</u>	<u>285,574</u>	<u>3,256,573</u>		<u>37,733,279</u>
3,185,302	6,066,221	9,794,225	25,533,486	1,382,020		88,666,881
624,614				668,651		3,660,154
	497,320					497,320
54,115	137,086	7,057,919	(58,949)	1,946,557		40,682,653
<u>3,864,031</u>	<u>6,700,627</u>	<u>16,852,144</u>	<u>25,474,537</u>	<u>3,997,228</u>		<u>133,507,008</u>
<u>\$ 8,469,123</u>	<u>\$ 12,194,268</u>	<u>\$ 19,355,149</u>	<u>\$ 25,760,111</u>	<u>\$ 7,253,801</u>	<u>\$</u>	<u>\$ 171,240,287</u>

GULF COAST WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2015

	Business - Type Activities				
	Industrial Division	League City SE Water Purification Plant (SEWPP)	Water Treatment Plant Division	Canal Division	1998 A-B South Projects
Operating Revenues:					
Metered water sales	\$ 9,703,222	\$ 2,119,739	\$ 10,474,602	\$ 9,481,669	\$
Bond payment revenue		267,308			1,944,132
Irrigation sales				368,849	
Total Operating Revenues	<u>9,703,222</u>	<u>2,387,047</u>	<u>10,474,602</u>	<u>9,850,518</u>	<u>1,944,132</u>
Operating Expenses:					
Personnel services	426,326	9,163	1,854,743	1,941,719	
Supplies and materials	6,674,545	2,390,714	5,337,348	4,616,269	
Contracted services	125,997	16,814	922,458	1,497,064	
Other charges	73,563	36	7,738	44,781	
Depreciation	623,796	1,085,973	1,506,429	1,392,226	1,697,498
Total Operating Expenses	<u>7,924,227</u>	<u>3,502,700</u>	<u>9,628,716</u>	<u>9,492,059</u>	<u>1,697,498</u>
Operating Income (Loss)	<u>1,778,995</u>	<u>(1,115,653)</u>	<u>845,886</u>	<u>358,459</u>	<u>246,634</u>
Nonoperating Revenues (Expenses)					
Investment earnings	18,738	1,700	12,156	10,922	5,076
Other revenues and (expenses)	652,763	76,733	93,694	30,968	
Amortization of bond discounts		8,535			121,689
Interest expense		(56,575)			(735,192)
Total Nonoperating Revenues (Expenses)	<u>671,501</u>	<u>30,393</u>	<u>105,850</u>	<u>41,890</u>	<u>(608,427)</u>
Income (Loss) Before Transfers	<u>2,450,496</u>	<u>(1,085,260)</u>	<u>951,736</u>	<u>400,349</u>	<u>(361,793)</u>
Transfers in (out)	(65,766)	(3,329)	(150,041)	(161,118)	
Change in Net Position	<u>2,384,730</u>	<u>(1,088,589)</u>	<u>801,695</u>	<u>239,231</u>	<u>(361,793)</u>
Net Position at Beginning of Year	<u>22,286,090</u>	<u>19,669,789</u>	<u>13,551,861</u>	<u>18,030,069</u>	<u>1,105,358</u>
Net Position at End of Year	<u>\$ 24,670,820</u>	<u>\$ 18,581,200</u>	<u>\$ 14,353,556</u>	<u>\$ 18,269,300</u>	<u>\$ 743,565</u>

See Notes to Financial Statements.

- Enterprise Funds

1998 C Series Texas City Projects	2002 Galveston Projects	Chocolate Bayou Division	Pearland SE Water Purification Plant (SEWPP)	Other Enterprise Funds	Eliminations	Totals
\$	\$	\$	\$	\$	\$	\$
624,248	857,290	1,429,866	871,412	52,811	(8,902,584)	25,230,737
		1,033,991		1,061,485		5,788,454
		581,092				949,941
624,248	857,290	3,044,949	871,412	1,114,296	(8,902,584)	31,969,132
		873,699	8,614	37,054		5,151,318
		502,941	983,089	354	(8,902,584)	11,602,676
		366,528	6,532	5,460		2,940,853
		1,069	32	44		127,263
769,871	779,975	3,924,055	509,637	1,157,398		13,446,858
769,871	779,975	5,668,292	1,507,904	1,200,310	(8,902,584)	33,268,968
(145,623)	77,315	(2,623,343)	(636,492)	(86,014)		(1,299,836)
2,227	1,138	10,359		6,178		68,494
		73,473				927,631
52,349				57,453		240,026
(222,733)	(140,977)	(35,151)		(154,417)		(1,345,045)
(168,157)	(139,839)	48,681		(90,786)		(108,894)
(313,780)	(62,524)	(2,574,662)	(636,492)	(176,800)		(1,408,730)
		(70,538)	(3,003)	453,795		
(313,780)	(62,524)	(2,645,200)	(639,495)	276,995		(1,408,730)
4,177,811	6,763,151	19,497,344	26,114,032	3,720,233		134,915,738
\$ 3,864,031	\$ 6,700,627	\$ 16,852,144	\$ 25,474,537	\$ 3,997,228	\$	\$ 133,507,008

GULF COAST WATER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2015

	Business - Type Activities				
	Industrial Division	League City SE Water Purification Plant (SEWPP)	Water Treatment Plant Division	Canal Division	1998 A-B South Projects
Cash Flows from Operating Activities					
Cash received from customers	\$ 9,798,050	\$ 2,514,164	\$ 10,068,409	\$ 9,943,887	\$ 1,816,797
Cash payments to suppliers for goods and services	(7,042,892)	(2,244,080)	(6,330,886)	(6,384,398)	(1,080)
Cash paid for employee services	(424,978)	(9,163)	(1,834,113)	(1,941,530)	
Other revenues and (expenses)	652,763	76,733	93,694	30,968	(34,133)
Net Cash Provided by Operating Activities	<u>2,982,943</u>	<u>337,654</u>	<u>1,997,104</u>	<u>1,648,927</u>	<u>1,781,584</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of facilities and equipment	(3,528,788)	(72,444)	(1,541,421)	(784,132)	
Principal paid on bonds		(210,000)			(1,210,000)
Deferred outflows on pension asset	(67,559)	(1,689)	(300,637)	(319,214)	
Interest paid		(56,838)			(703,342)
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,596,347)</u>	<u>(340,971)</u>	<u>(1,842,058)</u>	<u>(1,103,346)</u>	<u>(1,913,342)</u>
Cash Flows from Non-Capital and Related Financing Activities					
Transfers from (to) other funds	(65,766)	(3,329)	(150,041)	(161,118)	
Net Cash Provided (Used) by Non- Capital and Related Financing Activities	<u>(65,766)</u>	<u>(3,329)</u>	<u>(150,041)</u>	<u>(161,118)</u>	
Cash Flows from Investing Activities					
Investment earnings	16,851	1,554	10,342	8,555	11,368
Net Cash Provided by Investing Activities	<u>16,851</u>	<u>1,554</u>	<u>10,342</u>	<u>8,555</u>	<u>11,368</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(662,319)	(5,092)	15,347	393,018	(120,390)
Cash and Equivalents at Beginning of Year	<u>9,391,671</u>	<u>515,400</u>	<u>5,564,011</u>	<u>5,923,285</u>	<u>1,771,059</u>
Cash and Equivalents at End of Year	<u>\$ 8,729,352</u>	<u>\$ 510,308</u>	<u>\$ 5,579,358</u>	<u>\$ 6,316,303</u>	<u>\$ 1,650,669</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 1,778,995	\$ (1,115,653)	\$ 845,886	\$ 358,459	\$ 246,634
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Other revenue and expenses	652,763	76,733	93,694	30,968	
Depreciation	623,796	1,085,973	1,506,429	1,392,226	1,697,498
(Increase) decrease in receivables	94,828	127,117	(406,193)	93,369	(127,335)
(Increase) decrease in prepaid expenses	19,544	843	41,687	132,680	
Increase (decrease) in vouchers payable and accrued liabilities	(186,983)	162,641	(84,399)	(358,775)	(35,213)
Total Adjustments	<u>1,203,948</u>	<u>1,453,307</u>	<u>1,151,218</u>	<u>1,290,468</u>	<u>1,534,950</u>
Net Cash Provided by Operating Activities	<u>\$ 2,982,943</u>	<u>\$ 337,654</u>	<u>\$ 1,997,104</u>	<u>\$ 1,648,927</u>	<u>\$ 1,781,584</u>

See Notes to Financial Statements.

- Enterprise Funds						
1998 C Series Texas City Projects	2002 Galveston Projects	Chocolate Bayou Division	Pearland SE Water Purification Plant (SEWPP)	Other Enterprise Funds	Totals	
\$ 624,262	\$ 788,479	\$ 2,552,584	\$ 820,196	\$ 1,042,067	\$	39,968,895
(1,080)	(280)	(816,783)	(786,714)	(8,631)		(23,616,824)
		(864,894)	(8,614)	(37,054)		(5,120,346)
		73,473				893,498
623,182	788,199	944,380	24,868	996,382		12,125,223
		(630,518)		(461,481)		(7,018,784)
(400,000)	(715,000)	(1,010,000)		(905,000)		(4,450,000)
		(147,785)	(1,689)	(5,911)		(844,484)
(223,400)	(144,004)	(40,302)		(145,311)		(1,313,197)
(623,400)	(859,004)	(1,828,605)	(1,689)	(1,517,703)		(13,626,465)
		(70,538)	(3,003)	453,795		
		(70,538)	(3,003)	453,795		
2,951	1,002	11,190		6,039		69,852
2,951	1,002	11,190		6,039		69,852
2,733	(69,803)	(943,573)	20,176	(61,487)		(1,431,390)
342,526	567,123	5,323,293	59,784	2,215,149		31,673,301
<u>\$ 345,259</u>	<u>\$ 497,320</u>	<u>\$ 4,379,720</u>	<u>\$ 79,960</u>	<u>\$ 2,153,662</u>	<u>\$</u>	<u>30,241,911</u>
\$ (145,623)	\$ 77,315	\$ (2,623,343)	\$ (636,492)	\$ (86,014)	\$	(1,299,836)
		73,473				927,631
769,871	779,975	3,924,055	509,637	1,157,398		13,446,858
14	(68,811)	(492,365)	(51,216)	(72,229)		(902,821)
		(4,729)	749	1,044		191,818
(1,080)	(280)	67,289	202,190	(3,817)		(238,427)
768,805	710,884	3,567,723	661,360	1,082,396		13,425,059
<u>\$ 623,182</u>	<u>\$ 788,199</u>	<u>\$ 944,380</u>	<u>\$ 24,868</u>	<u>\$ 996,382</u>	<u>\$</u>	<u>12,125,223</u>



GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Gulf Coast Water Authority (the "Authority"), a governmental agency and political subdivision of the State of Texas, conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Gulf Coast Water Authority (the "Authority") is a Conservation and Reclamation District and political subdivision of the State of Texas (the "State"), created and functioning under Article XVI, Section 59, of the Texas Constitution, pursuant to Chapter 712, Acts of the 59th Legislature, Regular Session, 1965, as amended (the "Act"). The Act created the Authority to conserve, store, transport, treat and purify, distribute, well and deliver water, both surface and underground, to persons, corporations, both public and private, political subdivisions of the State and others, and to purchase, construct or lease all property, works and facilities, both within and without the Authority, necessary or useful for such purposes. It is also authorized to acquire water supplies from sources within or without its boundaries and to sell, transport and deliver water to customers situated within or without its boundaries and to acquire all properties and facilities necessary or useful for such purposes. The Act conferred no water rights on the Authority and it is not authorized to make any regulation of the withdrawal of underground water. The Authority may make, construct, or otherwise acquire improvements either within or without its boundaries necessary to carry out its powers and authority and to exercise the power of eminent domain for such purposes, except the Authority does not have the power of eminent domain as to all or any part of the water supply, property, works or facilities of any private person or persons, or of any private or public corporation or association engaged in the business of supplying water in Galveston County, Texas, to any class of consumers for any use as of the effective date of enabling legislation. However, the Authority may acquire necessary crossing easements and rights of way. The powers, rights, privileges, and functions conferred upon the Authority are subject to the continuing rights of supervision by the State, which is exercised by the Texas Department of Water Resources including approval of its projects. The Act granted the Authority none of the powers conferred by General Law for the purposes of the collection, transportation, processing, disposal and control of domestic, industrial or communal wastes, and the gathering, conducting, directing and controlling of local storm waters, or other local harmful excesses of water. Furthermore, the Authority has no power to levy taxes but is authorized to issue revenue bonds to provide funds for any and all of the purpose set forth in the Act and to collect related rates and costs.

The Authority is comprised of all of the territory contained within Galveston County, Texas, and its boundaries are the same as and coextensive with the boundaries of Galveston County, Texas. However, its operations are not necessarily limited to the confines of these boundaries.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Authority is a separate self-supporting governmental unit and is administered by a board of nine directors. Seven directors are appointed by the Commissioners Court of Galveston County to represent the geographic and ethnic diversity of the county. Of these one director is appointed upon the recommendation of the City Council of the City of Galveston, two more directors are appointed at-large, and four directors are appointed on the written recommendation of advisory committees appointed by the Board of Directors of the Gulf Coast Water Authority. Two of those four directors are recommended by the Mainland Municipal Advisory Committee and two of those directors are recommended by the Industrial Advisory Committee. The Industrial Advisory Committee is composed of one representative of each industrial customer of the Gulf Coast Water Authority. The Mainland Municipal Advisory Committee is composed of one representative of each municipal or water district customer of the Gulf Coast Water Authority that contracts for not less than 2 million gallons of water a day. The Commissioners Court of Galveston County is entitled to accept or reject the recommendations made to the court by the advisory committees. If a recommendation made by an advisory committee is rejected, the advisory committee submits additional recommendations to the court. Additionally, three of the members appointed by the Commissioners Court of Galveston County are required to be registered professional engineers under the laws of Texas. The final two directors are appointed by the Commissioners Courts of Brazoria County and Fort Bend County respectively to represent District customers in their individual county. Each of these two directors must be recommended by one or more of those customers and reside in that county. Vacancies on the Board of Directors, whether by death, resignation or termination of the term of office, are filled by appointment by the Commissioners Court that appointed the director. All terms of office are for a period of two years and are staggered.

B. Business-Type Activities

The business-type activities and the related accounts of the Authority are organized on the basis of Enterprise Funds, each of which is considered a separate accounting entity. The operations of each Enterprise Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, as appropriate. These Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to customers on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Enterprise Funds maintained by the Authority are described below:

Major Proprietary Funds:

Industrial Division Fund – The Industrial Division Fund is a raw water distribution to industrial and municipal customers in Texas City consisting of reservoirs, canals to the water treatment plant, pump station and a pumping facility to pump raw water to industrial customers. The Industrial division is under the direction of the Assistant General Manager. Industries served include DOW/UCC, Marathon Galveston Bay Refinery, Marathon Petroleum, Valero Refining, Eastman Chemical, and Ashland Performance Chemical. Industries located in Brazoria County are served by our Canal Division.

League City Southeast Water Purification Plant Fund (SEWPP) - GCWA is a participant in Houston's Southeast Water Purification Plant. Provides water and distribution for League City's share of 21.5 MGD of the 200 MGD SEWPP and associated bonds for City of League City; 2001 League City bonds used for purchase for the benefit of League City additional capacity of Houston's Southeast Water Purification Plant.

Water Treatment Plant Division Fund – The Water Treatment Plant Division Fund is a water treatment distribution system of customers of Galveston County and is under the direction of the WTP Manager. GCWA owns and operates the Thomas S. Mackey Water Treatment Plant Division located in Texas City, Texas. It is a 50 MGD surface water plant serving 13 water utilities. Those customers include the cities of Texas City, La Marque, Galveston, Hitchcock, League City, GCWCID #1, GCWCID #8, GCWCID #12, GCFWD #6, GCMUD 12, Bacliff MUD, Bayview MUD and San Leon MUD.

Canal Division Fund - Canal Division Fund is surface water distribution system. Canal division is under the direction of the Assistant General Manager. The GCWA Canal Division operates out of its office located in Alvin, Texas. Canal systems operated include the American Canal and Briscoe Canal. They encompass an area extending across the three counties of Brazoria, Fort Bend and Galveston. Industrial customers served by the Canal Division include INEOS and Ascend Performance Materials. Municipal customers served by the Canal Division include the cities of Sugar Land, Pearland and Missouri City, as well as Ft. Bend WCID #2 and Pecan Grove M.U.D. The Canal Division also serves a large number of agricultural customers primarily located in Brazoria County.

1998 A-B South Projects Fund - The South Project provided potable surface water to Galveston and the other South Project Customers from the Water Plant. The costs of the South Project will be shared by the particular entities which will benefit from this project.

1998 C Series Texas City Projects Fund - This fund is used to account for an inner city bond issue for Texas City for improvement of water line replacement.

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NOTES TO FINANCIAL STATEMENTS

2002 Galveston Projects Fund – This fund is used to account for the financing of inner city distribution system of Galveston and related bond issues. The bonds were issued for the purpose of improving facilities for water transportation to the City of Galveston and inner city improvements on the distribution system.

Chocolate Bayou Division Fund – This fund is used to account for water rights for a surface water distribution system. Chocolate Bayou Division is under the direction of the Assistant General Manager. This purchase was made recognizing the need to provide an economical water supply for future needs.

Pearland Southeast Water Purification Plant Fund (SEWPP) – This fund is used to account for fresh water treatment and distribution for the City of Pearland.

Non-Major Proprietary Funds:

Administrative Special Projects Fund – This fund was created for tracking the administrative facilities used for startup of new funds and projects.

1997 Galveston Projects Fund – This fund is used to account for an inner city bond issue for the City of Galveston to repair deteriorated water transmission pipeline, obtain better water supply facilities of new transmission main from City to Pelican Island. Provide better water supply service to water customers and residents.

1998D Series La Marque Projects Fund – This fund is used to account for an inner city bond issue to provide better water supply service to water customers and residents.

Water Treatment Plant Expansion 2011 Fund - In August 2005, the Authority entered into agreements with various participants who indicate a desire to obtain additional capacity under amendments to existing water supply contracts or water facilities financing agreements under the terms of which the Authority sells water to such customers or are not currently customers of the Authority but indicate a desire to enter into a water supply or water facilities financing agreement with the Authority by engaging a firm of professional engineers and other consultants to conduct a feasibility study to investigate the feasibility and cost of the Expansion Project of the Water Treatment Plant including (i) the alternatives available for expanding the Plant; (ii) the availability of additional raw water and/ or water rights; (iii) necessary amendments to and/ or restatements of existing contracts and/ or new contracts; (iv) the estimated costs of the Expansion Project; and (v) a plan for financing such expansion. The participants approved contracts agreeing to reimbursement for the cost of the feasibility study of plant expansion.

C. Measurement Focus and Basis of Accounting

The Enterprise Funds have a net income or economic resources measurement focus and are accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned including unbilled water which is accrued. Expenses are recognized at the time the liability is incurred. With this measurement focus, all

GULF COAST WATER AUTHORITY

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assets and liabilities associated with the operation of these funds are included in the Statement of Net Position.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in checking, savings, money market accounts and certificates of deposits.

E. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of bad debts charged to revenues. Losses are charged against the allowance when management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2015, no allowance for bad debts is recorded.

F. Capital Assets

Depreciation is provided for in amounts sufficient to relate the cost of the depreciable property to operations on a straight-line basis over their estimated useful lives in the Enterprise Funds. The Authority's policy is to capitalize assets with an initial cost exceeding \$5,000 and useful life of three years or greater.

The useful lives by the type of assets are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Office furniture, fixtures and equipment	5 years
Other machinery and equipment	5-10 years
Automobiles and trucks	4 years
Buildings	10 years

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G. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

H. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of differences between expected and actual economic experiences, differences between projected and actual investment earnings and pension contributions made subsequent to the actuarial measurement date.

	Business-Type Activities
Deferred Outflows of Resources	
Deferred outflows from pension activities	\$ 844,484
Total Deferred Outflows of Resources	<u><u>\$ 844,484</u></u>

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System ("TCDRS") and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Unamortized Bond Discounts

Included within long-term debt are unamortized bond discounts. The bond discounts are being amortized over the life of the related obligation on the straight-line method.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

L. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

year presentation. Such reclassifications have had no effect on the excess of revenues over expenses.

M. Estimates

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

N. Date of Management's Review

Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

O. Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

A summary of net investment in capital assets as of August 31, 2015, follows:

	Capital Assets -		
	Net of	Bonds	
	Depreciation	Payable	Totals
Industrial Division	\$ 11,875,632	\$	\$ 11,875,632
League City SE Water Purification Plant (SEWPP)	19,722,605	(1,481,211)	18,241,394
Water Treatment Plant Division	5,640,325		5,640,325
Canal Division	8,649,514		8,649,514
1998 A-B South Projects	15,210,588	(16,911,826)	(1,701,238)
1998 C Series Texas City Projects	7,781,750	(4,596,448)	3,185,302
2002 Galveston Projects	11,556,221	(5,490,000)	6,066,221
Chocolate Bayou Division	11,869,225	(2,075,000)	9,794,225
Pearland SE Water Purification Plant (SEWPP)	25,533,486		25,533,486
Other Enterprise Funds	4,597,128	(3,215,108)	1,382,020
Totals	\$ 122,436,474	\$ (33,769,593)	\$ 88,666,881

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NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for debt service as of August 31, 2015, follows:

	Restricted Cash and Investments for Debt Service	Liabilities Payable from Restricted Cash and Investments for Debt Service	Totals
League City SE Water Purification Plant (SEWPP)	\$ 252,194	\$ (2,074)	\$ 250,120
1998 A-B South Projects	2,145,150	(28,381)	2,116,769
1998 C Series Texas City Projects	633,258	(8,644)	624,614
2002 Galveston Projects	2,842	(2,842)	
Chocolate Bayou Division	8,382	(8,382)	
Other Enterprise Funds	673,721	(5,070)	668,651
Totals	\$ 3,715,547	\$ (55,393)	\$ 3,660,154

A summary of net position restricted for construction as of August 31, 2015, follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
2002 Galveston Projects	\$ 497,320	\$	\$	\$ 497,320
Total	\$ 497,320	\$	\$	\$ 497,320

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Authority's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the general-purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Authority adhered to the requirements of the Act. Additionally, investment practices of the Authority were in accordance with bond provisions.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

In accordance with GASB 31, certificates of deposit are reported at cost. Participating interest-earning investment contracts (repurchase agreements) that mature within one year of acquisition date are reported at fair value; those that mature within one year or less at date of acquisition are reported at amortized cost. Debt securities (U.S. Treasury securities, U.S. government agency securities) are reported at fair value, except those maturing in less than one year, which are recorded at amortized cost. Fair value is determined using quoted market prices. Unrealized gains and losses are included as a component of investment income.

Deposits

As authorized in bond provisions, deposits of the Authority are in short-term certificates of deposit, demand accounts and interest bearing money market accounts. All deposits are secured at the balance sheet date by FDIC coverage and by pledged U.S. Government securities held by an agent of the bank in the name of the depository bank. The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1: Deposits and investments, which are insured or collateralized with securities, held by the Authority or by its agent in the Authority's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Authority's cash deposits are classified as Category 2. As of August 31, 2015, all cash and cash equivalents were secured by FDIC coverage or pledged securities.

Investments

Statutes authorize the Authority to invest in obligations of the U.S. Treasury, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, and common trust funds. Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1: Investments that are insured, registered, or held by the Authority or by its agent in the Authority's name.

Category 2: Investments that are uninsured and unregistered held by the counter party's trust department or agent in the Authority's name.

Category 3: Uninsured and unregistered investments held by the counter party, its trust department, or its agent, but not in the Authority's name.

Investments that are not represented by specific identifiable investment securities such as mutual fund investment pools are not classified as to credit risk.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

At year-end, the Authority's investment balances were as follows:

	Fair Value	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 11,556,325	152
Total Investments	\$ 11,556,325	

NOTE 3 – CAPITAL ASSETS

The following table summarizes the changes in the components of capital assets:

	Balances at Sept. 1, 2014	Additions	Deletions	Balances at Aug. 31, 2015
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,959,587	\$	\$	\$ 1,959,587
Construction in progress	14,350,761	3,607,285	(9,964,883)	7,993,163
Total Capital Assets Not Being Depreciated	16,310,348	3,607,285	(9,964,883)	9,952,750
Capital Assets Being Depreciated:				
Office furniture, fixtures and equipment	801,592	22,599	(323,690)	500,501
Other machinery and equipment	5,372,926	78,212		5,451,138
Automobiles and trucks	860,485	271,044		1,131,529
Buildings	2,898,983	175,613		3,074,596
Infrastructure	222,339,774	13,265,682		235,605,456
Total Capital Assets Being Depreciated	232,273,760	13,813,150	(323,690)	245,763,220
Less Accumulated Depreciation				
Office furniture, fixtures and equipment	(621,004)	(52,374)	323,690	(349,688)
Other machinery and equipment	(3,006,914)	(481,476)		(3,488,390)
Automobiles and trucks	(622,692)	(132,002)		(754,694)
Buildings	(1,707,949)	(309,395)		(2,017,344)
Infrastructure	(114,197,769)	(12,471,611)		(126,669,380)
Total Accumulated Depreciation	(120,156,328)	(13,446,858)	323,690	(133,279,496)
Total Capital Assets Being Depreciated, Net	112,117,432	366,292		112,483,724
Business-Type Activities				
Capital Assets, Net	\$ 128,427,780	\$ 3,973,577	\$ (9,964,883)	\$ 122,436,474

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Construction In Progress:

Construction in progress for the various projects and remaining commitments under these construction contracts as of August 31, 2015, is as follows:

Project Description	In Progress	Commitment
Business-Type Activities:		
INDUSTRIAL DIVISION - Fund 02 (Texas City)		
Industrial Pump Station (IPS) Replacement - Design Phase - LAN	\$ 1,678,779	\$ 20,321,221
Reservoir Gates Replacement - Design Phase - FN09-11	615,474	26
IPS Industrial Customer Metering Project	2,253,833	746,167
Evaluation of IPS Water Transmission Piping & Appurtenances	71,089	1,978,911
Reservoir Circulation	25,308	192
Reservoir Intake & Discharge Pipe & Gate	572	11,599,428
Evaluation of Alternative Improvements to Reservoir By-Pass Canal - FN	75,231	349,769
IPS Transmission Water Line Survey & Pipeline Markers (Partial)	99,372	800,628
Discharge Canal: Levee Improvements	10,000	390,000
Emergency Reservoir: P1 Pump Set	732	74,268
SCADA Server - Control Room	23,061	439
Bayou Golf Course Bridge Decking	6,411	89
Totals	4,859,862	36,261,138
WATER TREATMENT PLANT DIVISION - Fund 06:		
Ferric Feed System	987	13
Rebuild of P553 Pump Set	139,471	529
Polymer Feed System - Pumps & Activation	27,971	30
Recycle Pump 302/Pump & Motor	9,885	115
Canal PAC Feed System Replacement	167	574,833
Rebuild of P103 Pump Set	121,393	3,607
Installation of Secondary Air Scour Blower & Motor Set	239,144	10,856
Replacement of Sections of Perimeter Fencing around Sludge Fields	1,900	18,100
Installation of Liquid Ammonia Feed System (LAS)	164,505	35,495
CL2 Hoist System	1,589	28,411
Sludge Field Design and Construction	4,000	1,496,000
Filter Pipe Gallery Modifications	8,412	41,588
Backwash Basin Improvements	454	49,546
Sludge Management	5,425	94,575
SCADA Server - Control Room	58,155	345
Training Room Updates	5,233	24,767
SCADA Updates	31,499	18,501
Thickener Improvements	7,829	72
Control Building Office Improvements	4,000	
Additional Office Space	4,665	75,335
Transmission Line Condition Assessment	24,876	25,124
Noise Abatement	5,596	4
Virginia Point SCADA Communication	3,664	36
Totals	870,820	2,497,882

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Project Description	Total In Progress	Remaining Commitment
Business-Type Activities:		
CANAL DIVISION -Fund 08		
Evaluation of Replacement of Madera Creek Crossing (G.004)	21,570	178,430
Installation of Covered Storage Area at Alvin Yard	52,379	14,621
Installation of Remote Control Actuated Gate at Alvin Yard	14,658	15,342
Parshall Flume & A Plant SCADA	30,169	4,831
Canal Water Quality Monitoring Equipment	54,273	727
Rebuild of P2 Pump Set - Briscoe System	129,196	804
Rebuild of P3 Pump Set - Briscoe System	192,243	32,757
Future P4 Pump Set - Briscoe System	2,105	2,997,895
Security Camera & SCADA - Briscoe System	27,612	2,388
SCADA Server - Control Room	19,497	3
River Surveypr	28,930	1,070
Gate Actuator - Dam 3	27,419	8,581
Chk-2 & BR-6 Syphon Crossing - Friendswood/Algoa	16,189	11
SCADA Improvements - 2nd Lift	7,631	369
SCADA Improvements - Dam 3	33,849	1,151
SCADA Improvements - Dam 2	5,766	734
Totals	663,486	3,259,714
WTP Expansion - Fund 20		
WTP Exp Wtr Study	5,654	
WTP Exp Wtr Study	99,983	
WTP Exp Wtr Study	301,853	
WTP Exp Wtr Study	150,633	
WTP Exp Wtr Study	17,335	
Totals	575,458	
CHOCOLATE BAYOU DIVISION - Fund 21:		
Salt Water Barrier Improvements - Engineering Study Klotz	178,441	1,216,561
Smith Chk-6 Downstream Erosion - Juliff Canal	10,745	14,255
Rebuild P5 Pump Set at May Plant Station 2	41,611	389
Replacement of Pump #1 Natural Gas Engine at CB Pump Station	67,493	507
Purchase and Installation of Irrigation Meters	534,167	15,833
Construction of New Operator Residence at May Pump Station	92,149	172,851
JA Turner Rd Chk-6 - Juliff Canal	11,101	9
Rebuild P2 Pump & R.A.D. - Chocolate Bayou Pump Station	525	74,475
SCADA Improvements - WJM Flume - Chocolate Bayou	57,695	2,305
SCADA Improvements - Juliff Flume	9,520	480
Totals	1,003,447	1,497,665
Administrative - Fund 99		
Security System Improvements	930	70
Admin Office Building Access Control	19,160	40
Totals	20,090	110
Grand CIP Totals	\$ 7,993,163	\$ 43,516,509

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – UNAMORTIZED BOND DISCOUNTS

A summary of changes in the unamortized bond discounts follows:

	<u>Original Bond Discounts</u>	<u>Balance at Sept. 1, 2014</u>	<u>Current Year Amortization</u>	<u>Balance at Aug. 31, 2015</u>
Revenue bonds:	\$ 2,429,698	\$ 1,709,620	\$ 240,026	\$ 1,469,594
Totals	\$ 2,429,698	\$ 1,709,620	\$ 240,026	\$ 1,469,594

NOTE 5 – LONG-TERM DEBT

Changes in Long-Term Liabilities

Total long-term liability activity for the year ended August 31, 2015, is as follows:

	<u>Balance Sept. 1, 2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance Aug. 31, 2015</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds payable:					
Revenue bonds	\$ 36,750,000	\$	\$ (4,450,000)	\$ 32,300,000	\$ 4,590,000
Bond discounts	1,709,620		(240,026)	1,469,594	
Total bonds payable	38,459,620		(4,690,026)	33,769,594	4,590,000
Compensated absences	294,699	373,154	(341,620)	326,233	48,930
Total Business-Type Activities	\$ 38,754,319	\$ 373,154	\$ (5,031,646)	\$ 34,095,827	\$ 4,638,930

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Revenue bond long-term liability activity for the year ended August 31, 2015, is as follows:

	<u>Balances at Sept. 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances at Aug. 31, 2015</u>	<u>Due Within One Year</u>
League City Southeast Division					
Contract Revenue Bonds:					
Series 2011F	\$ 1,640,000	\$	\$ 210,000	\$ 1,430,000	\$ 220,000
Total League City Southeast Division	<u>1,640,000</u>		<u>210,000</u>	<u>1,430,000</u>	<u>220,000</u>
1998 A-B South Projects					
Contract Revenue Bonds:					
Series 2011A	14,710,000		925,000	13,785,000	970,000
Series 2011B	<u>2,560,000</u>		<u>285,000</u>	<u>2,275,000</u>	<u>290,000</u>
Total 1998 A-B South Projects	<u>17,270,000</u>		<u>1,210,000</u>	<u>16,060,000</u>	<u>1,260,000</u>
1998 C Series Texas City Projects					
Contract Revenue Bonds:					
Series 2011C	<u>4,630,000</u>		<u>400,000</u>	<u>4,230,000</u>	<u>410,000</u>
Total 1998 C Series Texas City Projects	<u>4,630,000</u>		<u>400,000</u>	<u>4,230,000</u>	<u>410,000</u>
2002 Galveston Projects					
Contract Revenue Bonds:					
Series 2012	<u>6,205,000</u>		<u>715,000</u>	<u>5,490,000</u>	<u>735,000</u>
Total 2002 Galveston Projects	<u>6,205,000</u>		<u>715,000</u>	<u>5,490,000</u>	<u>735,000</u>
Chocolate Bayou					
Contract Revenue Bonds:					
Series 2006	<u>3,085,000</u>		<u>1,010,000</u>	<u>2,075,000</u>	<u>1,030,000</u>
Total Chocolate Bayou	<u>3,085,000</u>		<u>1,010,000</u>	<u>2,075,000</u>	<u>1,030,000</u>
Other Enterprise Funds					
Contract Revenue Bonds:					
Series 2011E	2,275,000		725,000	1,550,000	755,000
Refunding Bonds:					
Series 2011D	<u>1,645,000</u>		<u>180,000</u>	<u>1,465,000</u>	<u>180,000</u>
Total Other Enterprise Funds	<u>3,920,000</u>		<u>905,000</u>	<u>3,015,000</u>	<u>935,000</u>
Total Bonds Payable	<u>\$ 36,750,000</u>	<u>\$</u>	<u>\$ 4,450,000</u>	<u>\$ 32,300,000</u>	<u>\$ 4,590,000</u>

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Maturities of bonds payable follow:

	Principal	Interest	Totals
2016	\$ 4,590,000	\$ 1,212,011	\$ 5,802,011
2017	5,705,000	1,074,970	6,779,970
2018	3,945,000	921,990	4,866,990
2019	4,085,000	774,773	4,859,773
2020	4,265,000	598,804	4,863,804
2021-2022	9,710,000	668,374	10,378,374
	<u>\$ 32,300,000</u>	<u>\$ 5,250,922</u>	<u>\$ 37,550,922</u>

NOTE 6 - COMPENSATED ABSENCES

All full-time employees begin accruing paid sick leave eight (8) hours per month from the date of employment. Employees cannot use sick leave until completing ninety (90) days of service. Full-time employees who have completed five (5) years of service and are separated for non-disciplinary reasons shall be paid for one half of their accrued sick leave up to a maximum of 360 hours. Employees who have completed ten (10) years of service and separate due to death or retirement shall be paid the balance of accumulated sick leave up to a maximum of nine hundred and sixty (960) hours.

Full-time employees will accrue vacation hours each pay period beginning on their hire date. Employees will be able to take vacation upon completion of ninety (90) days of service. The maximum accrued balance an employee may carry is two times their annual accrual limit. At August 31, 2015, accrued compensated absences are \$326,233.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority provides retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 677 nontraditional defined benefit pension plans. TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 5 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions to the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2014</u>
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	4
Active employees	52
Totals	<u>85</u>

Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer was 8.67% and the contribution rate for employees was 7%, as adopted by the governing body of the employer. The contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the system's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Net Pension Liability (Asset)

The Authority's Net Pension Liability (Asset) ("NPL" or "NPA") was measured as of December 31, 2014, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Overall Payroll Growth	0.50%
Investment Rate of Return	8.00%

Salary increases were based on a service-related table. Mortality rates for active depositing members were based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Mortality Table for females with a four-year setback, both with the projection scale AA. Mortality rates for service retirees, beneficiaries and non-depositing members were based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females. Mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disable Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u>
US Equities	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities - Developed	11.0%	5.35%
International Equities - Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balance at 12/31/13	\$ 17,970,608	\$ 18,824,325	\$ (853,717)
Changes for the year:			
Service cost	424,294		424,294
Interest on total pension liability	1,451,551		1,451,551
Effect of plan changes			
Effect of economic/demographic gains or losses	508,957		508,957
Effect of assumptions changes or inputs			
Refund contributions	(13,543)	(13,543)	
Benefit payments	(513,201)	(513,201)	
Administrative expenses		(15,246)	15,246
Contributions - employee		242,851	(242,851)
Net investment income		1,283,889	(1,283,889)
Contributions - employer		550,788	(550,788)
Other changes		365,134	(365,134)
Net changes	\$ 1,858,058	\$ 1,900,672	\$ (42,614)
Balance at 12/31/14	\$ 19,828,666	\$ 20,724,997	\$ (896,331)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 22,284,119	\$ 19,828,664	\$ 17,782,480
Fiduciary net position	20,724,996	20,724,995	20,724,996
Authority's net pension liability (asset)	\$ 1,559,123	\$ (896,331)	\$ (2,942,516)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended August 31, 2015, the Authority recognized pension expense of (\$123,488).

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of August 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$	\$ 407,164
Changes in actuarial assumptions		
Difference between projected and actual investment earnings		224,496
Contributions subsequent to the measurement date		212,824
Totals	\$	\$ 844,484

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended Dec 31:

2015	\$	157,915
2016		157,915
2017		157,915
2018		157,915
2019		
Thereafter		
	\$	631,660

NOTE 8 – CONTINGENT LIABILITY

In the ordinary course of conducting its operations, the Authority has been involved in various legal matters. At this time, the Authority has no contingent liabilities.

NOTE 9 – LONG-TERM CONTRACTS

Customer Contracts

The Gulf Coast Water Authority ("GCWA") has contracted with its customers to sell and deliver water on demand, and the customers have agreed to buy from the GCWA or to pay for whether taken or not, minimum quantities of water as set forth in the contracts.

Long-Term Contract for Cost Sharing Water Project with City of Houston

The Gulf Coast Water Authority entered into a long-term cost sharing water project contract with the City of Houston, Texas to jointly finance and operate the Southeast Water Purification Plant (SEWPP) to supply existing and future treated water needs of the City of League City and the City of Pearland, Texas. Terms of the contract provide that the GCWA shall directly reimburse the City of Houston on a periodic basis for the expenses incurred in producing and pumping the water actually delivered to GCWA.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE 401(K) PLAN TRUST

The Authority adopted the Gulf Coast Water Authority Employee 401(K) Plan (the "Plan") for the benefit of its employees. The Plan is exempt from tax under section 501(a) of the Internal Revenue Code of 1986, by reason of qualifying under section 401 (a) of the Code. The Plan is self-directed, as each participant directs the Trustees as to the investment of the assets for each participant's account. Employer contributions are 4% of gross income for employees hired prior to January 1, 1999, the effective date of the Plan. For employees employed after the effective date of the Supplemental Plan, the Authority will match on a dollar-for-dollar basis up to a maximum of 4% of employee's gross income from the Authority to the Supplemental Plan; any employee would be vested in 100% of the Authority's contributions to the Supplemental Plan who has been employed with the Authority for three (3) years of continuous service, including service prior to the effective date of the Supplemental Plan. Employees may contribute to the plan up to the maximum amount permitted under the Internal Revenue Code. Total employer contributions for the year ended August 31, 2015, were \$130,539.

NOTE 11 - INSURANCE

The Authority participates in the Texas Municipal League Intergovernmental Risk Pool, which was formed in 1974 for the purpose of offering a workers' compensation plan for unincorporated associations of political subdivisions of Texas. Pooling proved to be so beneficial to Texas local governments that, also at the Members' request, the Joint Self-Insurance Fund for Liability and property was created in 1982 under the authority of the Interlocal Cooperation Act, Article 4413 (32a). This Fund provides protection for Texas cities and other qualifying local governments for General Liability, Automobile Liability, Public Officials Errors and Omissions Liability, Law Enforcement Liability, Aviation Liability and damage to or destruction of Real and Personal Property. Currently the pool has over 1,670 members who purchase worker's compensation and business risk insurance.

Risk of loss retained by the Authority is the annual premium plus the related deductibles. No uninsured losses for the year exceeded these amounts.

The pool purchases reinsurance from commercial insurance carriers for claims in excess of \$1,000,000. The Authority pays an annual premium to the plan for the administration of claims, purchase of insurance and loss control services. The Authority retains no risk of loss for each claim other than the annual premium and deductibles.

The Authority also carries a supplemental property and casualty insurance policy through a third party broker.

GULF COAST WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the Authority implemented the following new standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB 68* ("GASB 71"), requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year-end be reported as a deferred outflow of resources ("DOOR").

NOTE 13 – RESTATEMENT OF NET POSITION

Beginning net position was restated from \$133,863,749 to \$134,915,738 to reflect a \$1,051,989 increase in beginning net position resulting from the implementation of GASB 68 and 71, as discussed in Note 12.

REQUIRED SUPPLEMENTARY INFORMATION

GULF COAST WATER AUTHORITY

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Years*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Pension Liability				
Service cost	\$ 424,294	\$ N/A	\$ N/A	\$ N/A
Interest (on the total pension liability)	1,451,551	N/A	N/A	N/A
Changes of benefit terms		N/A	N/A	N/A
Difference between expected and actual experience	508,957	N/A	N/A	N/A
Change of assumptions		N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(526,744)	N/A	N/A	N/A
Net Change in Total Pension Liability	1,858,058	N/A	N/A	N/A
Total Pension Liability - Beginning	17,970,608	N/A	N/A	N/A
Total Pension Liability - Ending (a)	<u>\$ 19,828,666</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 550,788	\$ N/A	\$ N/A	\$ N/A
Contributions - employee	242,851	N/A	N/A	N/A
Net investment income	1,283,889	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(526,744)	N/A	N/A	N/A
Administrative expense	(15,246)	N/A	N/A	N/A
Other	365,134	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	1,900,672	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	18,824,325	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	<u>\$ 20,724,997</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (896,331)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.5%	N/A	N/A	N/A
Covered Employee Payroll	\$ 3,469,295	\$ N/A	\$ N/A	\$ N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	-25.84%	N/A	N/A	N/A

Notes to Schedule: N/A

* GASB 68 requires ten years of data to be provided in this schedule, however, only one year is currently available.

Exhibit B-1[illegible]

GULF COAST WATER AUTHORITY

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Years*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contributions	\$ 283,441	\$ 272,842	\$ 223,994	\$ 183,263
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 550,788</u>	<u>\$ 522,842</u>	<u>\$ 473,994</u>	<u>\$ 193,641</u>
Contributions Deficiency (Excess)	\$ (267,347)	\$ (250,000)	\$ (250,000)	\$ (10,378)
Covered Employee Payroll	\$ 3,469,295	\$ 3,146,964	\$ 2,998,584	\$ 2,731,189
Contributions as a Percentage of Covered Employee Payroll	15.9%	16.6%	15.8%	7.1%

* GASB 68 requires ten years of data to be provided in this schedule, however, only nine years are currently available.

Exhibit B-2

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 183,003	\$ 87,788	\$ 83,622	\$ 119,239	\$ 108,192	\$ N/A
<u>\$ 183,003</u>	<u>\$ 179,683</u>	<u>\$ 162,599</u>	<u>\$ 155,143</u>	<u>\$ 145,085</u>	<u>\$ N/A</u>
\$	\$ (91,895)	\$ (78,977)	\$ (35,904)	\$ (36,893)	\$ N/A
\$ 2,581,145	\$ 2,566,897	\$ 2,322,836	\$ 2,216,333	\$ 2,072,639	\$ N/A
7.1%	7.0%	7.0%	7.0%	7.0%	N/A

GULF COAST WATER AUTHORITY

Exhibit B-3

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - **NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increases	3.50% to 8.93% including inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost of-living adjustments for Gulf Coast Water Authority - Galveston County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future Cost of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experience-based table of rates that are specific to the Authority's plan of benefits. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing Members	RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service Retirees, Beneficiaries and Non-depositing Members	RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION



GULF COAST WATER AUTHORITY

SCHEDULE OF REVENUE AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended August 31, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final
	Original	Final		
Operating Revenues:				
Metered water sales	\$ 35,307,787	\$ 35,307,787	\$ 34,133,321	\$ (1,174,466)
Bond payment revenue	5,809,637	5,809,637	5,788,454	(21,183)
Irrigation sales	2,018,885	2,018,885	949,941	(1,068,944)
Total Operating Revenues	43,136,309	43,136,309	40,871,716	(2,264,593)
Operating Expenses:				
Personnel services	6,031,912	6,031,912	5,151,318	880,594
Supplies and materials	20,922,890	20,922,890	20,505,260	417,630
Contracted services	4,029,991	4,029,991	2,940,853	1,089,138
Other charges	238,379	238,379	127,263	111,116
Capital	40,182,500	40,182,500	7,455,543	32,726,957
Total Operating Expenses	71,405,672	71,405,672	36,180,237	35,225,435
Operating Income (Loss)	(28,269,363)	(28,269,363)	4,691,479	(37,490,028)
Nonoperating Revenues (Expenses)				
Investment earnings	56,869	56,869	68,494	11,625
Other revenues & (expenses)	773,000	773,000	927,631	154,631
Amortization of bond discounts	240,028	240,028	240,026	(2)
Interest expense	(1,373,422)	(1,373,422)	(1,345,045)	28,377
Total Nonoperating Revenues (Expenses)	(303,525)	(303,525)	(108,894)	194,631
Change in Net Position	(28,572,888)	(28,572,888)	4,582,585	(37,295,397)
Net Position at Beginning of Year	134,915,738	134,915,738	134,915,738	
Net Position at End of Year	\$ 106,342,850	\$ 106,342,850	\$ 139,498,323	\$ (37,295,397)

GULF COAST WATER AUTHORITY

COMBINING STATEMENT OF NET POSITION-NON-MAJOR ENTERPRISE FUNDS

August 31, 2015

	Business-Type Activities - Non-Major Enterprise Funds				
	Administrative Special Projects	1997 Galveston Projects	1998D Series La Marque Projects	Water Treatment Plant Expansion 2011	Totals
<u>Assets</u>					
Current Assets					
Cash and cash equivalents					
Unrestricted cash and cash equivalents	\$ 1,568,081	\$ 57,699	\$	\$ 177,159	\$ 1,802,939
Restricted cash and equivalents:					
Debt service		221,242	129,481		350,723
Investments					
Restricted		215,999	106,999		322,998
Accounts receivable		144,261	20,728		164,989
Interest receivable	340	1,685	778	36	2,839
Net pension asset		6,274			6,274
Total Current Assets	1,568,421	647,160	257,986	177,195	2,650,762
Capital Assets					
Capital assets not being depreciated	20,090			575,457	595,547
Capital assets, net of accumulated depreciation	362,107	2,076,182	1,563,292		4,001,581
Total Capital Assets	382,197	2,076,182	1,563,292	575,457	4,597,128
Deferred Outflows of Resources					
		5,911			5,911
Total Assets and Deferred Outflows of Resources	\$ 1,950,618	\$ 2,729,253	\$ 1,821,278	\$ 752,652	\$ 7,253,801
<u>Liabilities</u>					
Current Liabilities					
Accounts payable and accrued liabilities - unrestricted	\$ 32,014	\$ 1,277	\$ 750	\$	\$ 34,041
Restricted for debt service:					
Current portion of bonds		755,000	180,000		935,000
Accrued interest payable		2,401	2,669		5,070
Current portion of compensated absences		353			353
Total Current Liabilities	32,014	759,031	183,419		974,464
Long-Term Debt					
Revenue bonds payable less current maturities		875,825	1,404,283		2,280,108
Compensated absences less current portion		2,001			2,001
Total Long-Term Debt		877,826	1,404,283		2,282,109
Total Liabilities	32,014	1,636,857	1,587,702		3,256,573
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	382,197	445,357	(20,991)	575,457	1,382,020
Restricted for debt service		434,840	233,811		668,651
Unrestricted	1,536,407	212,199	20,756	177,195	1,946,557
Total Net Position	1,918,604	1,092,396	233,576	752,652	3,997,228
Total Liabilities and Fund Equity	\$ 1,950,618	\$ 2,729,253	\$ 1,821,278	\$ 752,652	\$ 7,253,801

GULF COAST WATER AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION NON-MAJOR ENTERPRISE FUNDS

Year Ended August 31, 2015

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Administrative Special Projects	1997 Galveston Projects	1998D Series La Marque Projects	Water Treatment Plant Expansion 2011	
Operating Revenues:					
Metered water sales	\$	\$ 52,811	\$	\$	\$ 52,811
Bond payment revenue		812,754	248,731		1,061,485
Total Operating Revenues		865,565	248,731		1,114,296
Operating Expenses:					
Personnel services		37,054			37,054
Supplies and materials		354			354
Contracted services		5,460			5,460
Other charges		44			44
Depreciation	79,284	905,049	173,065		1,157,398
Total Operating Expenses	79,284	947,961	173,065		1,200,310
Operating Income (Loss)	(79,284)	(82,396)	75,666		(86,014)
Nonoperating Revenues (Expenses)					
Investment earnings	2,265	2,581	1,090	242	6,178
Amortization of bond discounts		40,413	17,040		57,453
Interest expense		(86,167)	(68,250)		(154,417)
Total Nonoperating Revenues (Expenses)	2,265	(43,173)	(50,120)	242	(90,786)
Income (Loss) Before Transfers	(77,019)	(125,569)	25,546	242	(176,800)
Transfers in (out)	461,481	(7,686)			453,795
Change in Net Position	384,462	(133,255)	25,546	242	276,995
Net Position at Beginning of Year	1,534,142	1,225,651	208,030	752,410	3,720,233
Net Position at End of Year	\$ 1,918,604	\$ 1,092,396	\$ 233,576	\$ 752,652	\$ 3,997,228

GULF COAST WATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS-NON-MAJOR ENTERPRISE FUNDS

Year Ended August 31, 2015

	Business-Type Activities - Non-Major Enterprise Funds				Totals
	Administrative Special Projects	1997 Galveston Projects	1998D Series La Marque Projects	Water Treatment Plant Expansion 2011	
Cash Flows from Operating Activities					
Cash received from customers	\$	\$ 792,763	\$ 249,304	\$	\$ 1,042,067
Cash payments to suppliers for goods and services		(8,301)	(330)		(8,631)
Cash paid for employee services		(37,054)			(37,054)
Net Cash Provided by Operating Activities		<u>747,408</u>	<u>248,974</u>		<u>996,382</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of facilities and equipment	(461,481)				(461,481)
Principal paid on bonds		(725,000)	(180,000)		(905,000)
Deferred outflows on pension asset		(5,911)			(5,911)
Interest paid		(76,911)	(68,400)		(145,311)
Net Cash (Used) by Capital and Related Financing Activities	<u>(461,481)</u>	<u>(807,822)</u>	<u>(248,400)</u>		<u>(1,517,703)</u>
Cash Flows from Non-Capital and Related Financing Activities					
Transfers from (to) other funds	461,481	(7,686)			453,795
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>461,481</u>	<u>(7,686)</u>			<u>453,795</u>
Cash Flows from Investing Activities					
Investment earnings	2,178	2,517	1,111	233	6,039
Net Cash Provided by Investing Activities	<u>2,178</u>	<u>2,517</u>	<u>1,111</u>	<u>233</u>	<u>6,039</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,178	(65,583)	1,685	233	(61,487)
Cash and Cash Equivalents at Beginning of Year	<u>1,565,903</u>	<u>344,524</u>	<u>127,796</u>	<u>176,926</u>	<u>2,215,149</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,568,081</u>	<u>\$ 278,941</u>	<u>\$ 129,481</u>	<u>\$ 177,159</u>	<u>\$ 2,153,662</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ (79,284)	\$ (82,396)	\$ 75,666	\$	\$ (86,014)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	79,284	905,049	173,065		1,157,398
(Increase) decrease in receivables		(72,802)	573		(72,229)
(Increase) decrease in prepaid expenses		1,044			1,044
Increase (decrease) in vouchers payable and accrued liabilities		(3,487)	(330)		(3,817)
Net Cash Provided by Operating Activities	<u>\$</u>	<u>\$ 747,408</u>	<u>\$ 248,974</u>	<u>\$</u>	<u>\$ 996,382</u>

GULF COAST WATER AUTHORITY

PRINCIPAL OFFICIALS

August 31, 2015

Directors

James McWhorter, President

Russell Jones, Vice-President

Sue Edrozo, Secretary/Treasurer

Gary Potter, Assistant Secretary/Treasurer

James Cesarini, Director

Cliff Mock, Director

Ray Holbrook, Director

Shane Hamilton, Director

George Black, Director

Staff

Ivan Langford, General Manager

Bob M. Webb, Business
Administrator/Investment Officer

David Sauer, Assistant General Manager



UNAUDITED STATISTICAL SECTION

This section of Gulf Coast Water Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends	56-59
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	60-62
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
Debt Capacity	63-65
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
Demographic and Economic Information	66-67
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	68-75
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

GULF COAST WATER AUTHORITY

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

	2006	2007	2008	2009
Business-type activities				
Net investment in capital assets	\$ 5,111,229	\$ 3,264,993	\$ 48,028,442	\$ 61,739,333
Restricted	15,357,984	15,767,256	12,211,372	9,248,402
Unrestricted	24,946,629	31,800,733	37,571,068	43,108,938
Total business-type activities net position	<u>\$ 45,415,842</u>	<u>\$ 50,832,982</u>	<u>\$ 97,810,882</u>	<u>\$ 114,096,673</u>
Primary government				
Net investment in capital assets	\$ 5,111,229	\$ 3,264,993	\$ 48,028,442	\$ 61,739,333
Restricted	15,357,984	15,767,256	12,211,372	9,248,402
Unrestricted	24,946,629	31,800,733	37,571,068	43,108,938
Total primary government net position	<u>\$ 45,415,842</u>	<u>\$ 50,832,982</u>	<u>\$ 97,810,882</u>	<u>\$ 114,096,673</u>

Note: The Authority does not currently have any governmental activities.

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 62,285,473	\$ 68,818,981	\$ 71,596,314	\$ 82,210,275	\$ 89,968,160	\$ 88,666,881
8,991,124	7,410,661	5,661,833	4,613,439	4,402,858	4,157,474
48,711,327	46,555,388	44,998,487	45,079,354	39,492,731	40,682,653
<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</u>	<u>\$ 131,903,068</u>	<u>\$ 133,863,749</u>	<u>\$ 133,507,008</u>
\$ 62,285,473	\$ 68,818,981	\$ 71,596,314	\$ 82,210,275	\$ 89,968,160	\$ 88,666,881
8,991,124	7,410,661	5,661,833	4,613,439	4,402,858	4,157,474
48,711,327	46,555,388	44,998,487	45,079,354	39,492,731	40,682,653
<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</u>	<u>\$ 131,903,068</u>	<u>\$ 133,863,749</u>	<u>\$ 133,507,008</u>

GULF COAST RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
Operating Revenues:				
Metered water sales	\$ 14,122,836	\$ 16,441,603	\$ 17,624,153	\$ 18,104,978
Bond payment revenue	7,586,246	6,577,745	5,935,102	16,747,932
Irrigation sales and other	118,487	922,002	1,521,572	2,683,969
Total Operating Revenues	<u>21,827,569</u>	<u>23,941,350</u>	<u>25,080,827</u>	<u>37,536,879</u>
Operating Expenses:				
Personnel services	3,016,015	3,135,519	3,332,108	3,455,994
Supplies and materials	6,738,499	6,658,671	8,968,443	10,104,430
Contracted services	1,234,339	1,296,432	1,633,723	1,886,120
Other charges	22,274	21,048	40,269	58,919
Depreciation	5,236,895	5,993,175	6,090,142	4,860,043
Total Operating Expenses	<u>16,248,022</u>	<u>17,104,845</u>	<u>20,064,685</u>	<u>20,365,506</u>
Nonoperating Revenues (Expenses)				
Investment earnings				
Investment earnings and other revenue	1,650,611	2,038,693	1,893,176	1,783,685
Other revenues and (expenses)				
Bond issuance costs				
Interest expense	(2,530,101)	(3,249,526)	(3,145,816)	(2,501,973)
Intergovernmental transfers	(202,712)	(208,532)	(200,402)	(167,294)
Total Nonoperating Revenues (Expenses)	<u>(1,082,202)</u>	<u>(1,419,365)</u>	<u>(1,453,042)</u>	<u>(885,582)</u>
Change in Net Position before Special Items	4,497,345	5,417,140	3,563,100	16,285,791
Special Items:				
Sales of additional water capacity			43,414,800	**
Change in Net Position	4,497,345	5,417,140	46,977,900	16,285,791
Net Position at Beginning of Year	40,918,497	45,415,842	50,832,982	97,810,882
Net Position at End of Year	<u>\$ 45,415,842</u>	<u>\$ 50,832,982</u>	<u>\$ 97,810,882</u>	<u>\$ 114,096,673</u>

* GASB 65 impact.

** The sale of additional water capacity in 2008 is attributable to the following:

League City Southeast Plant (SEWPP)	\$ 16,605,800
Pearland Southeast Water Purification Plant (SEWPP)	26,809,000
	<u>\$ 43,414,800</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 18,438,418	\$ 21,032,627	\$ 19,378,636	\$ 24,612,505	\$ 25,858,256	\$ 25,230,737
7,675,036	7,901,210	6,679,086	6,901,675	5,498,227	5,788,454
1,777,600	4,305,418	3,298,860	2,855,535	520,201	949,941
27,891,054	33,239,255	29,356,582	34,369,715	31,876,684	31,969,132
3,660,715	4,012,351	4,386,157	4,900,543	5,404,157	5,151,318
8,272,368	14,066,690	11,814,066	11,595,411	12,635,660	11,602,676
2,071,717	2,563,779	2,700,910	3,382,054	3,032,538	2,940,853
45,734	45,035	99,300	114,604	128,547	127,263
5,710,496	6,681,940	8,128,117	9,506,366	11,521,295	13,446,858
19,761,030	27,369,795	27,128,550	29,498,978	32,722,197	33,268,968
		125,975	132,077	88,724	68,494
379,543	(684,067)	485,166	7,139,601	3,805,305	927,631
		(1,150,528) *	(176,378)		
(2,451,023)	(2,220,993)	(1,518,535)	(1,267,614)	(1,087,835)	(1,105,019)
(167,293)	(167,294)	(698,506)			
(2,238,773)	(3,072,354)	(2,756,428)	5,827,686	2,806,194	(108,894)
5,891,251	2,797,106	(528,396)	10,698,423	1,960,681	(1,408,730)
5,891,251	2,797,106	(528,396)	10,698,423	1,960,681	(1,408,730)
114,096,673	119,987,924	122,785,030	122,256,634	132,955,057	134,915,738
\$ 119,987,924	\$ 122,785,030	\$ 122,256,634	\$ 132,955,057	\$ 134,915,738	\$ 133,507,008

GULF COAST WATER AUTHORITY

METERED WATER SALES

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Fees		Raw Water Rates (1) (2)		Treated Water Rates (1) (2)		Irrigation & Other			
			Per Kgal							
2006	\$	14,122,836	\$	0.10	0.20	\$	0.48	0.80	\$	118,487
2007		16,441,603		0.10	0.20		0.48	0.80		922,002
2008		17,624,153		0.10	0.25		0.50	0.79		1,521,572
2009		18,104,978		0.10	0.21		0.55	0.93		2,863,969
2010		18,438,418		0.04	0.20		0.54	0.94		1,777,600
2011		21,032,627		0.04	0.18		0.53	0.91		4,305,418
2012		19,378,636		0.04	0.21		0.53	0.92		3,298,860
2013		24,612,505		0.10	0.35		0.61	0.12		2,855,535
2014		25,858,256		0.12	0.38		0.66	1.15		520,201
2015		25,230,737		0.14	0.35		0.69	1.53		949,941

(1) - Rates based on per thousand gallons. Based on various operation funds.

(2) - Price varies by customer.

Note - This schedule does not include interruptible water.

GULF COAST WATER AUTHORITY

PRINCIPAL WATER FEE PAYERS *

August 31, 2015
(Unaudited)

Customer	2015			2010		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
City of Galveston	\$ 4,825,887	1	15%	\$ 3,651,676	1	13%
Blanchard/Marathon GBR	3,507,695	2	11%	2,090,394	2	7%
City of League City - SEWPP	2,669,157	3	8%	1,939,924	3	7%
City of Texas City	2,113,773	4	7%	1,640,205	4	6%
INEOS	1,370,218	5	4%	1,252,278	5	4%
Union Carbide Corp./DOW	1,333,247	6	4%	887,738	6	3%
City of Pearland	1,247,558	7	4%			
Ascend	924,847	8	3%			
Eastman Chemical	919,102	9	3%	501,554	10	2%
City of Missouri City	776,486	10	2%	633,567	8	2%
Galveston County WCID #1				757,160	7	3%
City of La Marque				525,671	9	2%

* The requirement for statistical data is ten years, however, only the current year and five years prior are currently available.

GULF COAST WATER AUTHORITY

LIST OF PRINCIPAL CUSTOMERS

August 31, 2015
(Unaudited)

Industrial Customers

Blanchard/Marathon GBR
Ashland Performance Chemicals
Marathon TBR
Eastman Chemical
Valero Refining
Union Carbide Corp./DOW
City of Texas City
GCWA WTP

Municipal Customers

City of League City
Bacliff MUD
Bayview MUD
Galveston WCID #1
City of LaMarque
City of Texas City
San Leon MUD
Galveston County WCID #12
City of Hitchcock
Galveston County WCID #8
Galveston County FWD #6
Galveston County MUD #12
City of Galveston

Canal Division

City of Missouri City
City of Sugar Land
Ascend Performance Material
GCWA Industrial Division
Fort Bend WCID #2
City of Pearland
Pecan Grove MUD

Chocolate Bayou

INEOS

Note: The above customers represent the Authority's principal customers. Because of the long term nature of Authority's contracts, the majority of these customers have been customers of the Authority for ten years or more.

GULF COAST WATER AUTHORITY

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Business- Type Activities Water Revenue Bonds	Total Primary Government	Percentage of Revenue (1)	Percentage of Personal Income (2)	Debt per Population (2)
2006	\$ 65,320,000	\$ 65,320,000	299.25%	N/A	N/A
2007	88,475,000	88,475,000	369.55%	N/A	N/A
2008	84,270,000	84,270,000	335.99%	N/A	N/A
2009	70,025,000	70,025,000	186.55%	N/A	N/A
2010	65,030,637	65,030,637	233.16%	N/A	N/A
2011	56,885,637	56,885,637	171.14%	N/A	N/A
2012	51,160,000	51,160,000	174.27%	N/A	N/A
2013	41,080,000	41,080,000	119.52%	N/A	N/A
2014	38,459,620	38,459,620	120.65%	N/A	N/A
2015	33,769,593	33,769,593	105.63%	N/A	N/A

(1) Based on operating revenues.

(2) The Authority has no taxation authority, therefore relating the Authority's debt to personal income or population is not applicable. Further, certain of the Authority's customers are industrial or other non-municipal users such that the Authority's debt to personal income or population is not applicable.

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

GULF COAST WATER AUTHORITY

PLEDGE - REVENUE COVERAGE

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Revenue Bonds					
	Revenue	Less Operating Expenses*	Net Available for Debt Service	Debt Service		Cover Ratio
				Principal	Interest	
2006	\$ 21,827,569	\$ 11,011,127	\$ 10,816,442	\$ 4,175,000	\$ 2,530,101	1.61
2007	23,941,350	11,111,670	12,829,680	4,570,000	3,249,526	1.64
2008	25,080,827	13,974,543	11,106,284	4,075,000	3,145,816	1.54
2009	37,536,879	15,505,463	22,031,416	14,245,000	2,501,973	1.32
2010	27,891,054	14,050,534	13,840,520	5,055,000	2,451,023	1.84
2011	33,239,255	20,687,855	12,551,400	5,310,000	2,220,993	1.67
2012	29,356,582	19,000,433	10,356,149	5,485,000	1,518,535	1.48
2013	34,369,715	19,992,612	14,377,103	5,190,000	1,267,614	2.23
2014	31,876,684	21,200,902	10,675,782	4,330,000	1,087,835	1.97
2015	31,969,132	19,822,112	12,147,020	4,450,000	1,105,019	2.19

* Operating expenses do not include depreciation.

GULF COAST WATER AUTHORITY

PLEDGE - REVENUE COVERAGE BY FUND

Fiscal Year Ending August 31, 2015
(Unaudited)

Fiscal Year	Water Revenue Bonds					
	Revenue	Less Operating Expenses*	Net Available for Debt Service	Debt Service		Cover Ratio
				Principal	Interest	
Industrial Division	\$ 9,703,222	\$ 1,566,755	\$ 8,136,467	\$	\$	N/A
League City SE Water Purification Plant (SEWPP)	2,387,047	2,416,727	(29,680)	210,000	56,575	-0.11
Water Treatment Plant Division	10,474,602	4,953,381	5,521,221			N/A
Canal Division	947,934	8,099,833	(7,151,899)			N/A
1998 A-B South Projects	1,944,132		1,944,132	1,210,000	735,192	1.00
1998 C Series Texas City Projects	624,248		624,248	400,000	222,733	1.00
2002 Galveston Projects	857,290		857,290	715,000	140,977	1.00
Chocolate Bayou Division	3,044,949	1,859,961	1,184,988	1,010,000	35,151	1.13
Pearland SE Water Purification Plant (SEWPP)	871,412	879,099	(7,687)			N/A
Administrative Special Projects						N/A
1997 Galveston Projects	865,565	46,356	819,209	725,000	86,167	1.01
1998D Series La Marque Projects	248,731		248,731	180,000	68,250	1.00
	<u>\$ 31,969,132</u>	<u>\$ 19,822,112</u>	<u>\$ 12,147,020</u>	<u>\$ 4,450,000</u>	<u>\$ 1,345,045</u>	<u>2.10</u>

* Operating expenses do not include depreciation.

N/A - Not applicable

Source - Financial information presented above was obtained from current and prior year audited financial statements.

GULF COAST WATER AUTHORITY

COUNTY/CITY DEMOGRAPHICS

(Unaudited)

The GCWA's boundaries stretch across three counties including Fort Bend, Brazoria and Galveston. GCWA provides water for industry, agriculture, municipalities and irrigation. The GCWA's services include water sales, distribution, water treatment and irrigation for farmers and recreation.

The graphs below and on the following page portray the population and economic base within GCWA's boundaries.

<u>County/City</u>	<u>Population</u>
Fort Bend County	585,375
Brazoria County	313,166
Galveston County	291,309
City of Pearland	91,252
City of League City	83,560
City of Sugar Land	78,817
City of Missouri City	67,358
City of Galveston	47,743
City of Texas City	45,099
City of Dickinson	18,680

Source US Census Bureau, Census 2010 & Kemah website.

Educational Attainment

<u>County/City</u>	<u>High School</u>	<u>College</u>
City of League City	95%	43%
City of Sugar Land	93%	54%
City of Pearland	92%	47%
City of Missouri City	92%	42%
City of Santa Fe	91%	14%
Fort Bend County	89%	41%
Galveston County	87%	29%
Brazoria County	85%	28%
City of La Marque	84%	15%
City of Texas City	82%	12%

Source US Census Bureau, Census 2009-2013

High school graduate or higher, percent of persons age25+, 2009-2013

Bachelor's degree or higher, percent of persons age25+, 2009-2013

NA - Information not available as of the report date.

<u>County/City</u>	<u>Median Age</u>	<u>Largest Employers</u>
Galveston County	37	UTMB
Fort Bend County	35	Fort Bend ISD
Brazoria County	35	Dow Chemical Co
City of League City	34	Clear Creek ISD
City of La Marque	38	Wal-Mart
City of Texas City	35	Marathon-Galveston Bay Refinery
City of Hitchcock	35	Hitchcock ISD
City of Galveston	38	UTMB
City of Missouri City	38	Fort Bend ISD
City of Sugar Land	41	Fluor Corporation

Source <http://suburbanstats.org/population/texas/>

Source Comprehensive Annual Financial Report for each entity

<u>County/City</u>	<u>Median Household Income (\$)</u>
City of Sugar Land	104,702
City of Pearland	92,346
City of League City	89,339
Fort Bend County	85,297
City of Missouri City	83,524
Brazoria County	67,603
City of Dickinson	66,686
City of Santa Fe	62,394
Galveston County	61,877
City of Kemah	59,406

Source US Census Bureau, Census 2009-2013 & Kemah website

<u>County/City</u>	<u>Unemployment Rate</u>
City of Pearland	3.3%
City of Sugar Land	3.5%
City of League City	3.6%
Fort Bend County	4.4%
City of Missouri City	4.4%
Brazoria County	4.6%
Galveston County	4.9%
City of Galveston	4.7%
City of Texas City	6.1%
City of La Marque	NA

Source <http://data.bls.gov/map/MapToolServiet>

Source <http://beta.bls.gov/dataQuery> @ August 2015

GULF COAST WATER AUTHORITY

NUMBER OF EMPLOYEES BY DIVISION

Last Ten Fiscal Years (Unaudited)

Division	Number of Full-Time				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Administrative	8	7	7	8	8
Industrial	2	2	2	2	2
Water treatment plant	14	16	15	14	15
Canal	16	14	16	18	16
Chocolate Bayou		4	3	4	4
Totals	40	43	43	46	45

Note: This table reports the number of filled, full-time employees positions based on the division in which they are employed. Table does not include budgeted, unfilled positions. Employees in the Administration Division provide centralized services to all four operating divisions, and their time and salary costs are allocated to each division based on time worked.

Source - From W-2 reports. Part-time and full-time position replacements are not included in the counts.

**Positions
Equivalent**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
8	9	9	10	11
2	2	2	2	2
13	13	14	12	17
19	19	20	22	22
4	4	4	5	5
46	47	49	51	57

GULF COAST WATER AUTHORITY

OPERATING STATISTICS

Last Nine Fiscal Years* (Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Annual Acre Feet</u>				
Industrial	NA	61,601	97,030	82,406
Irrigation	NA	59,558	103,872	122,979
Municipal	NA	102,587	95,754	96,226
Total Pumpage	NA	223,746	296,656	301,611

Source: Annual Report to Texas Commission on Environmental Quality.

<u>Brazos River Water Rights held by GCWA</u>	<u>TCEQ Water Rights Certificate of Adjudication</u>	<u>Diversion Amount (afpy)**</u>	<u>Senior Right Priority Date</u>
<u>Authorized Diversion Points</u>			
Shannon & Briscoe Pump Stations (A & B Canals)	CA 12-5168	99,932	1/15/1926
Texas City Industrial Storage Reservoir	CA 12-5168	7,800	3/17/1947
Shannon & Briscoe Pump Stations (A & B Canals)	CA 12-5171	75,000	2/1/1939
Shannon & Briscoe Pump Stations (A & B Canals)	CA 12-5171	50,000	12/12/1950
Jones & Oyster Creeks Storage	CA 11-5169	12,000	5/14/1948
May Pump Station (Juliff Canal)	CA 12-5322	40,000	2/8/1929
May Pump Station (Juliff Canal)	CA 12-5322	40,000	3/14/1955
May Pump Station (Juliff Canal)	CA 12-5322	75,000	7/25/1983
Chocolate Bayou, Halls Bayou, & Mustang Bayou	CA 11-5357	57,500	8/3/1937

*The requirements for statistical data is ten years, however, only nine years are currently available.

** afpy - Acre Feet per Year

*** 2015 amounts represent estimated pumpage through May 31, 2015.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015***</u>
62,320	89,713	65,347	61,266	116,816	36,056
99,295	119,065	99,019	50,929	23,864	5,552
83,556	73,714	75,787	47,574	29,795	7,070
<hr/>					
<u>245,171</u>	<u>282,492</u>	<u>240,153</u>	<u>159,769</u>	<u>170,475</u>	<u>48,678</u>

GULF COAST WATER AUTHORITY

SCHEDULE OF CAPITAL ASSET ADDITIONS

Last Ten Fiscal Years (Unaudited)

	2006	2007	2008	2009
Industrial Division				
Office furniture, fixtures and equipment	\$	\$	\$	\$
Other machinery and equipment				721
Automobiles and trucks				
Buildings				
Infrastructure	20,219	42,235	11,667	177,695
League City Southeast Division				
Office furniture, fixtures and equipment				16
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure			16,605,800	
Water Treatment Plant				
Land	632,559			
Office furniture, fixtures and equipment	16,821	27,284		2,964
Other machinery and equipment			14,460	61,936
Automobiles and trucks			25,262	
Buildings		3,028	6,024	8,198
Infrastructure	520,328	447,647	461,387	994,592
Canal Division				
Land				
Office furniture, fixtures and equipment				2,426
Other machinery and equipment	249,614	473,782		380,385
Automobiles and trucks	50,050			31,207
Buildings				
Infrastructure		40,091	59,330	109,976
1998 A-B South Projects				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure		84		
1998 C Series Texas City Projects				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure	598,509	2,132,359	644,434	488,882
2002 Galveston Projects				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure	5,744,533	396,272	555,917	653,352

GULF COAST WATER AUTHORITY

SCHEDULE OF CAPITAL ASSET ADDITIONS

Last Ten Fiscal Years (Unaudited)

	2006	2007	2008	2009
Chocolate Bayou				
Land				
Office furniture, fixtures and equipment				979
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure	100,000	23,242,525	868,289	1,352,768
Pearland Southeast Plant				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure			26,809,000	
1997 Galveston Projects				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure				
1998D Series La Marque Projects				
Office furniture, fixtures and equipment				41
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure		173,851		
Water Treatment Plant Expansion 2011				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure	99,983	301,853	150,633	17,335
Administrative				
Office furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Infrastructure				
Total Capital Assets	<u>\$ 8,032,616</u>	<u>\$ 27,281,011</u>	<u>\$ 46,212,203</u>	<u>\$ 4,283,473</u>

