

Comprehensive Annual Financial Report For the Year Ended August 31, 2018

Gulf Coast Water Authority * Texas City, Texas



Gulf Coast Water Authority

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
August 31, 2018**

Gulf Coast Water Authority

Texas City, Texas

Prepared by:

**Ivan Langford
General Manager**

**Bob Webb
Business Manager**



Gulf Coast Water Authority

GULF COAST WATER AUTHORITY
TABLE OF CONTENTS

	Page
Introductory Section	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	viii
Board of Directors	ix
Financial Section	
Report of Independent Auditors	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	14
-	
Required Supplementary Information:	
Schedule of Changes in Net Pension Liabilities and Related Ratios	36
Schedule of Employer Pension Contributions	37
Schedule of Changes in Net OPEB Liabilities and Related Ratios	38
Schedule of Employer OPEB Contributions	39
Other Supplementary Information:	
Schedule of Revenues and Expenses – Budget and Actual (Budgetary Basis)	43
Combining Information and Statements:	
Combining Information by Division - Net Position	44
Combining Information by Division - Changes in Net Position	48
Combining Information by Division - Cash Flows	52
Statistical Section (Unaudited)	
Net Position by Component – Last Ten Years	58
Changes in Net Position – Last Ten Years	60
Metered Water Sales – Last Ten Years	62
Principal Water Fee Payers – Current and Six Years Ago	63
List of Principal Customers	65
Raito of Outstanding Debt by Type – Last Ten Years	66
Pledge – Revenue Coverage – Last Ten Years	67
District Demographics	68
Number of Employees by Division – Last Ten Years	70
Operating Statistics – Last Ten Years	72
Schedule of Capital Asset Additions – Last Ten Years	74



Gulf Coast Water Authority

INTRODUCTORY SECTION



Gulf Coast Water Authority



3630 FM 1765 Texas City, Texas 77591 409.935.2438 fax 409.935.4156 www.gulfcoastwaterauthority.com

January 10, 2019

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, 2018. 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, Whitley Penn, LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the Authority’s financial statements for the year ended August 31, 2018. 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 counties.

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 re-lift 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 certain portions of the three-county area of Brazoria, Fort Bend, and Galveston. In 2006, the Authority purchased the Chocolate Bayou Water Company's assets, 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 is governed by a ten (10) member Board of Directors, as established by the 83rd Texas Legislature passed HB 4168 sponsored by Representative Dennis Bonnen and becoming effective on June 18, 2015. The Board of Directors are appointed in the following manner:

- Five (5) by the Galveston County Commissioners Court with two (2) being representatives of Industry, one (1) being a representative of Municipalities and two (2) being representatives at-large;
- Three (3) by the Brazoria County Commissioners Court with one (1) being a representative of Industry, one (1) being a representative of Municipalities and one (1) being a representative of Agriculture;
- Two (2) by Fort Bend County Commissioners with one (1) being a representative of Municipalities and one (1) being a representative At-Large.

Appointees serve two-year terms, staggered five (5) one year and five (5) the next year. Term of office coincides with the Authority's fiscal year, beginning September 1st.

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 315 miles of main-line canals and laterals, and about 380,000 ac-ft. of water rights on the lower basin of the Brazos River. River water is delivered to 1) approximately 13,000 acres of commercial and hybrid seed rice in Brazoria and Galveston Counties as well as a Rice Research Facility located outside of Alvin, Texas, a provider of 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 contracted to deliver 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. The plant's most recent expansion occurred in 2000. 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.

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 first and 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, Capital Improvements, and Long-range Planning.

ECONOMIC CONDITIONS AND OUTLOOK

According to the Federal Reserve Bank of Dallas, at the close of the 2018 fiscal year, growth in the Houston Business-Cycle Index slowed to 4.5 percent between April 2018 and July 2018 due to slower job growth. However, this figure remains well above the historical growth rate of 3.2 percent and in line with what occurred during the oil and gas boom of 2013 and 2014. An expanding energy sector, post-Harvey recovery and a healthier U.S. economy have all contributed to elevated growth in Houston so far this year.

Year-over-year growth in Houston labor market was 2.7 percent (80,700) in July 2018—the fastest rate since March 2015. Professional and business services (20,300) and construction (18,000) were again the fastest-growing super sectors; much of which can be attributed to post-Harvey reconstruction. The unemployment rate in Houston edged down to 4.3 percent in July—matching the post-Great Recession low in February 2015 at the cusp of the oil bust. For comparison, the July unemployment rate in Texas was 4.0, and the rate for the U.S. was 3.9 percent.

The U.S. index of leading economic indicators extended its long growth trajectory in July. The Conference Board reported that improvements in the index were widespread across its components, suggesting the broader U.S. economy will continue to grow at a healthy pace the remainder of the year. This will likely be a tailwind for the Houston region, which sells a great deal of services and manufactured goods to the nation.

GCWA's Revenue Source

The Authority does not receive money from the State of Texas, nor does it collect any type of tax revenue. 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 TEXAS DROUGHT

No financial report on any Texas surface water provider would be complete without a discussion of the most severe drought to hit Texas in 60 years. For the Authority, recognition of the drought began in 2009 and ended in 2015. Although the Authority was able to meet its Industrial and Municipal customers demand throughout this extended drought, it was only because during those years the Authority was able to purchase additional stored water from reservoirs operated by the Brazos River Authority. While the Authority holds permits for a vast quantity of very senior water rights for 'run of the river' water, every year of the drought then as today, the Authority depends heavily on BRA's stored water to 'make-up' the short fall as the 'run of the river' runs dry. Every year following the drought, the Authority has struggled with securing enough stored water commitments from the Brazos River Authority and other BRA customers to insure a firm, reliable water supply for its customers whenever the Authority's 'run of the river' water rights are 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 2016, the Brazos River Authority revised and substantially reduced its calculation of available short-term stored water they would have available; thus putting more pressure on the Authority to look at other opportunities to insure against the next drought. As a result of this drought, obtaining additional stored water, or alternate sources of water is the Authority's highest priority.

The Authority has undertaken multiple studies over the past seven years attempting to find affordable alternatives. Those studies have looked at a water supply from other river basins, seawater desalination, reuse, brackish desalination, groundwater from the Carrizo-Wilcox aquifer, as well as development of additional surface water storage on the Brazos River. At this time, further development of water supplies on the Brazos River presents the best alternative for the Authority to focus its attention. Meanwhile, the Authority will continue to work with the Brazos River Authority and its customers through annual purchases of interruptible stored water to meet our customers' needs every year.

IMPACT OF HURRICAN HARVEY

August 25, 2017, Hurricane Harvey dumped in excess of 50" of rain across the entire three county area served by the Authority. Damages were extensive across all infrastructure – pump stations, canals, and the water treatment plant, yet through the remarkable and daring employees of the Authority, water continued to be available to all customers during and after Harvey. Due to sheer amount of infrastructure spread out across over 300 miles, damages were still being uncovered throughout 2018. The Authority is highly focused on obtaining Federal (FEMA) funding not only for repairs and restorations, but also seeking funding for mitigation funding to insure similar type damages cannot reoccur. As of the end of 2018, the Authority had yet to receive any significant reimbursement from FEMA. The federal funding process is tedious, exacting in rules and regulations, and includes multiple layers of State and Federal approval processes. As occurred with Hurricane Ike in 2008, the Authority expects full recovery to last a decade. The financial burden for full recovery and hardening has yet to be determined.

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

The Texas City Reservoir Gate Replacement Project continued throughout all of 2018; with a completion expected by 4th quarter of 2018 at a cost just under \$11,750,000. Unlike the corrugated steel pipe structures that were removed, the new flow control gates are massive concrete structures that meet all the requirements of the US Corps of Engineers for levees and dams.

The replacement of the Texas City Industrial Pump Station also continued throughout all of 2018. At the ground breaking ceremony, the Authority announced the dedication of the new pump station in honor of its first General Manager, Joseph A. Wilhelm. The new IPS is scheduled to be in operation by the 3rd quarter of 2019 at an estimated cost of \$19,000,000.

The Thomas Mackey Water Treatment Plant underwent several major projects, including the rehabilitation of Reactor/Clarifier #3, completion of Sediment Basin #1, and start of Sediment Basin #2 along with an adjacent Mono-fil; completion is scheduled by the end of 2018. A total investment of these projects is

estimated over \$2,500,000. The completion of the Sediment Basin and Mono-fil eliminates any further need for land application or hauling of the water plant waste sediment.

The Canal Division's major projects included replacement of an aerial, dual barrel, 72" diameter steel pipe across Galveston County Drainage District 1 ditch in west Galveston County, continuation of the design and US Corps of Engineers permitting for elevating the Chocolate Bayou Salt Water Barrier; continued replacement of heavily deteriorated steel framework of the William May Plant #2 pump station, and beginning design of a new pump station on Chocolate Bayou to replace a pump station that past its reliable service life decades ago. Upon completion of these projects over the next two years will require an investment in excess of \$8,000,000.

Significant rolling stock purchases were the addition of two (2) new Komatsu Long-Boom Excavators at a cost of \$537,800 and a John Deere 750 Dozer at a cost of \$275,000. Annual reconditioning of pumps and motors across all the Authority's assets exceed \$500,000. This included pumps/motors at the Industrial Pump Station, Water Treatment Plant, and Briscoe Pump Station on the Brazos.

In the near term. The Authority will begin the East Levee Improvements of the Texas City Industrial Reservoir. This is a long-needed project to stabilize the slope along this 1.5 mile section of the Texas City Industrial Reservoir with the addition an earthen structure that will increase the base of the levee by nearly fifty percent and rise up at least a third of the height of the levee.

The Authority received the approval from the Texas Commission on Environmental Quality to expand the Thomas Mackey Water Treatment Plant from 49.7 MGD to 57.6 MGD. Design of improvements to achieve the expanded capacity began in 2018 and will continue through 2019. This expansion will require new contracts with all of the water plant customers.

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.

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 Whitley Penn, LLP, was selected by the Board for the 2018 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, 2017. 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. Of particular note, the Authority achieved a new safety milestone of 24 consecutive months with zero incidents.

Sincerely,



Ivan Langford
General Manager



Bob Webb
Contracting Officer



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

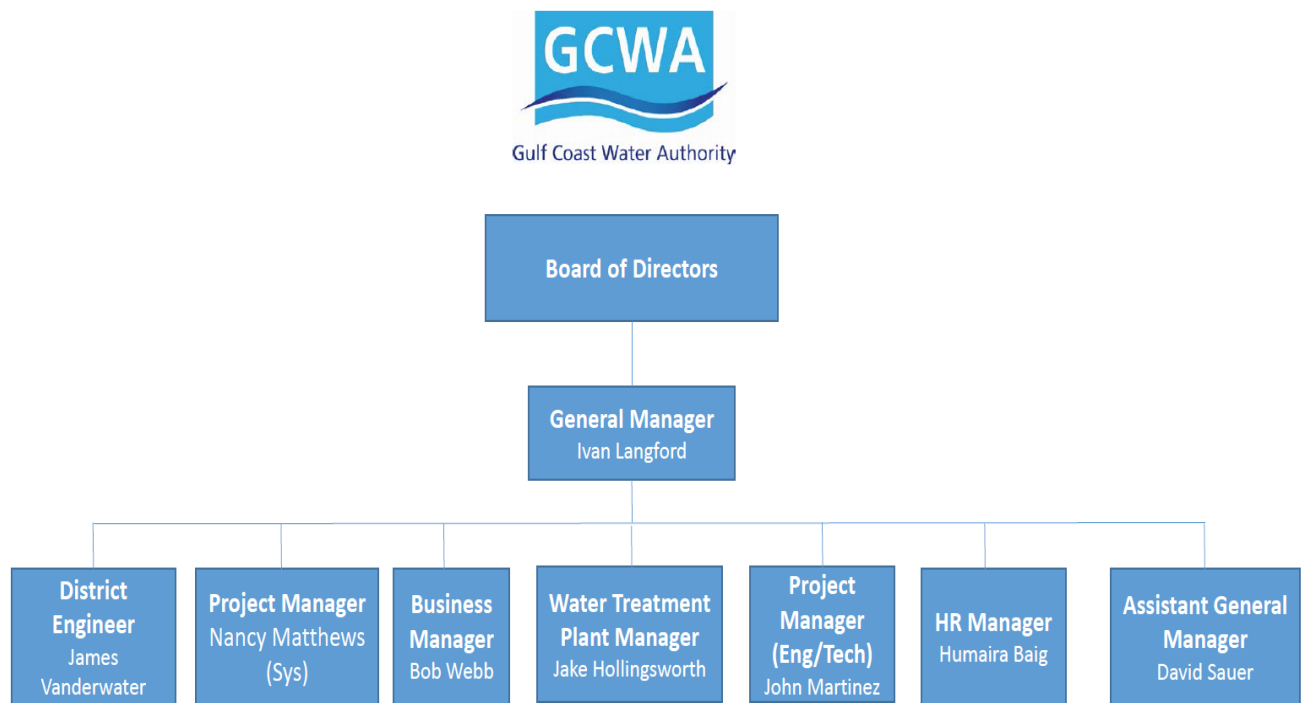
August 31, 2017

Christopher P. Morill

Executive Director/CEO

GULF COAST WATER AUTHORITY

Organizational Chart



GULF COAST WATER AUTHORITY

Board of Directors

Name	Title	Position
Mr. Russell C. Jones	President	Fort Bend County Municipal Position No. 1
Mr. C.B. "Bix" Rathburn, Ph.D.	Vice President	Galveston County Industrial Position No. 2
Mr. Eric Wilson	Secretary	Brazoria County Municipal Position No. 1
Mr. Bennie Jones, Jr.	Treasurer	Brazoria County Industrial Position No. 1
Mr. Brad Matlock	Assistant Secretary	Galveston County At-Large Position No. 2
Mr. James McWhorter	Director	Galveston County Municipal Position No. 1
Mr. Shane Hamilton	Director	Galveston County At-Large Position No. 1
Mr. Cliff Mock	Director	Brazoria County Agricultural Position No. 1
Mr. Mike O'Connell	Director	Fort Bend County At-Large Position No. 1
Mr. Dave Leaver	Director	Galveston County Industrial Position No. 1



Gulf Coast Water Authority

FINANCIAL SECTION



Gulf Coast Water Authority

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses and changes in net position and cash flows of the Gulf Coast Water Authority (the “Authority”) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

To the Audit Committee and Board of Directors
Gulf Coast Water Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gulf Coast Water Authority, as of August 31, 2018, and the respective changes in financial position and the results of 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 on pages 5 through 9, required other pension system supplementary information on pages 38 and 39, and required other post-employment benefit information on pages 40 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory, statistical, other supplementary and Texas supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information in the other supplementary and Texas supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the other supplementary and Texas supplementary information sections is 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.

Whitley Penn LLP

Houston, Texas
January 10, 2019



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, 2018. 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 exceeded liabilities and deferred inflows of resources by \$154,750,903. Of this amount, \$98,374,073 represents net investment in capital assets; \$5,608,342 is restricted net position and the remaining \$50,768,488 represents unrestricted net position.
- Operating expenses for the Authority at year-end were \$38,112,026 and were less than operating revenues by \$17,124,288.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements which consist of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report includes other supplementary information in addition to the basic financial statements.

The statement of net position presents as of a specific date information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Since the Authority follows enterprise fund accounting and reporting requirements, there is a statement of cash flows included as part of the basic financial statements. The accompanying notes to the financial statements provide required disclosures and other information that is essential to a full understanding of data provided in the statements.

GULF COAST WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$154,750,903 at the close of the most recent fiscal year.

	2018	2017	Increase / (Decrease)	
			\$	%
Current and other assets	\$ 76,871,823	\$ 79,788,226	\$ (2,916,403)	-3.7%
Capital assets	130,007,199	111,651,868	18,355,331	16.4%
Noncurrent assets	777,831	-	777,831	
Total assets	207,656,853	191,440,094	16,216,759	8.5%
 Total deferred outflows of resources	 589,881	 2,016,988	 (1,427,107)	 -70.8%
Current liabilities	14,351,680	10,840,930	3,510,750	32.4%
Noncurrent liabilities	38,317,882	43,444,914	(5,127,032)	-11.8%
Total liabilities	52,669,562	54,285,844	(1,616,282)	-3.0%
 Total deferred inflows of resources	 826,269	 785,049	 41,220	 5.3%
Net Position:				
Net Investment in capital assets	98,374,073	89,007,877	9,366,196	10.5%
Restricted				
Debt Service	5,608,342	5,758,363	(150,021)	-2.6%
Unrestricted	50,768,488	43,619,949	7,148,539	16.4%
Total Net Position	\$ 154,750,903	\$ 138,386,189	\$ 16,364,714	11.8%

- Capital assets, net of depreciation, increased by approximately \$18.4 million, a 16.4% increase from the prior year due to capital additions in excess of \$30 million. Depreciable capital assets increased by \$8.7 million due to completed projects being transferred from construction in progress.
- Current liabilities increased by \$3.5 million or 32.4% due to a large number of ongoing projects at August 31, 2018 as construction in progress increased by \$22.6 million from the prior year.
- Noncurrent liabilities decreased by approximately \$5.1 million, a 11.8% decrease from the prior year due to a decrease of outstanding bonds and related premiums of \$4.2 million, along with a decrease in the liabilities related to pensions of \$0.8 million.

GULF COAST WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

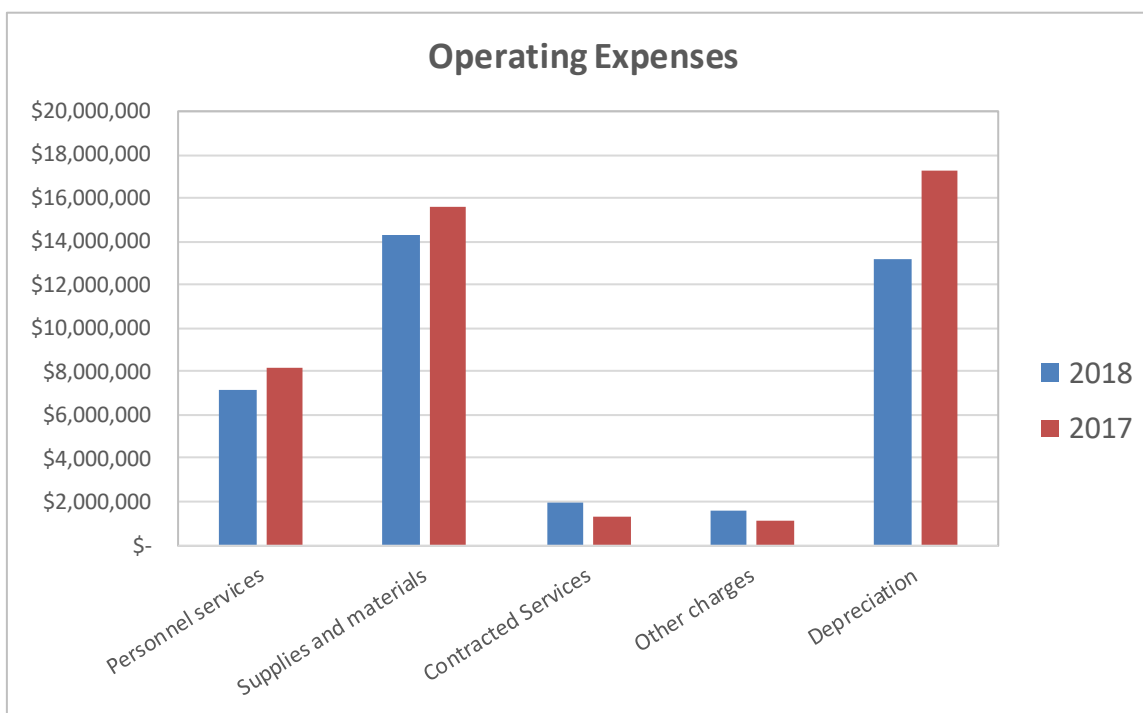
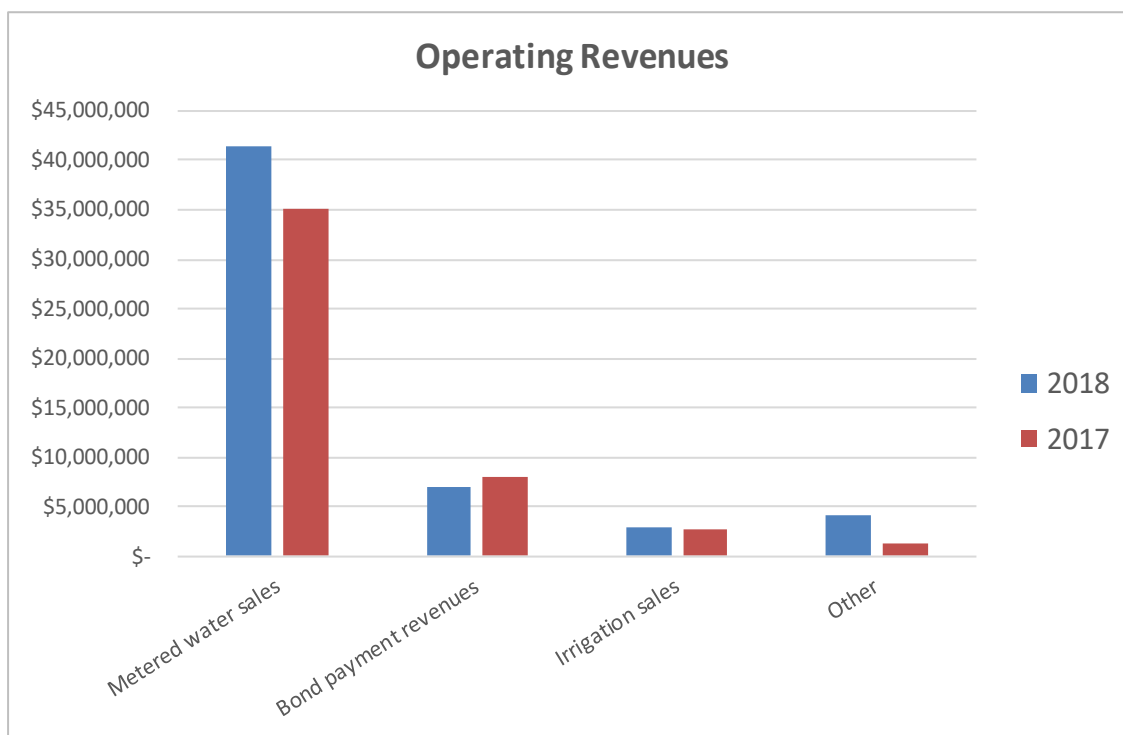
The Statement of Revenues, Expenses and Changes in Net Position measures how well annual costs are covered by fees and charges. The Authority does not seek to earn a profit in the long term. However, the Authority must cover its operations, maintenance and other costs, and provide sufficient reserves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

	2018	2017	Increase / (Decrease)	
			\$	%
Operating Revenues:				
Program revenues				
Metered water sales	\$ 41,417,047	\$ 35,155,368	\$ 6,261,679	17.8%
Bond payment revenue	6,963,593	7,948,943	(985,350)	-12.4%
Irrigation sales	2,821,778	2,705,542	116,236	4.3%
Other	4,033,896	1,242,480	2,791,416	224.7%
Total operating revenues	55,236,314	47,052,333	8,183,981	17.4%
Expenses:				
Personnel services	7,147,241	8,214,064	(1,066,823)	-13.0%
Supplies and materials	14,272,990	15,554,551	(1,281,561)	-8.2%
Contracted services	1,929,804	1,285,284	644,520	50.1%
Other charges	1,626,799	1,163,632	463,167	39.8%
Depreciation	13,135,192	17,285,453	(4,150,261)	-24.0%
Total expenses	38,112,026	43,502,984	(5,390,958)	-12.4%
Operating income (loss)	17,124,288	3,549,349	13,574,939	
Non-operating revenues (expenses)	(624,804)	(574,589)	(50,215)	8.7%
Change in Net Position	16,499,484	2,974,760	13,524,724	454.6%
Net Position, beginning	138,386,189	135,411,429	2,974,760	2.2%
Change in accounting principles	(134,770)	-	(134,770)	
Net Position, ending	\$ 154,750,903	\$ 138,386,189	\$ 16,364,714	11.8%

- Metered water sales increased by approximately \$6.3 million or 17.8%, due to the addition of the Industrial Pump Station division and an increase in water costs associated with the Brazos River Authority.
- Other revenues increased by approximately \$2.8 million due to reimbursable costs from the Texas Department of Transportation for projects completed by the Authority.
- Personnel services decreased by approximately \$1.1 due to a decrease in pension expense adjustment for costs related to the net pension liability (asset).
- Supplies and materials decreased by approximately \$1.3 million due to a decrease in contract water costs for the League City SE Water Purification Plant division.
- Depreciation expense decreased by approximately \$4.2 million or 24.0%, due to a large capital asset system in the Chocolate Bayou division being fully depreciated at the end of the prior fiscal year.

GULF COAST WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The following charts illustrate a two year comparison of the Authority's Operating Revenues and Operating Expenses, respectively.



GULF COAST WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Authority's capital assets totaled \$130,007,199 as of August 31, 2018. These capital assets include land; construction in progress; office furniture, fixtures and equipment; other machinery and equipment; automobiles and trucks; buildings; and infrastructure. The total net increase in the Authority's capital assets for the current fiscal year was 16.4%.

	2018	2017	Increase/(Decrease)	
			\$	%
Land	\$ 1,959,588	\$ 1,959,588	\$ -	
Construction in progress	35,733,001	13,083,874	22,649,127	173.1%
Infrastructure	256,976,154	249,523,137	7,453,017	3.0%
Buildings	4,469,227	4,418,977	50,250	1.1%
Plant and equipment	9,091,889	7,849,927	1,241,962	15.8%
Less accumulated depreciation	(178,222,660)	(165,183,635)	(13,039,025)	7.9%
Total	\$ 130,007,199	\$ 111,651,868	\$ 18,355,331	16.4%

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 outstanding of \$43.1 million. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	2018	2017	Increase/(Decrease)	
			\$	%
Revenue bonds	\$ 42,398,000	\$46,393,000	\$ (3,995,000)	-8.6%
Bond premiums	716,284	897,250	(180,966)	-20.2%
Totals	\$ 43,114,284	\$47,290,250	\$ (4,175,966)	-8.8%

Additional information on the Authority's long-term debt can be found in Note 4 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, 2018***Assets****Current Assets:**

Cash and cash equivalents	\$ 656,404
Investments	46,503,808
Accounts receivable	11,457,060
Interest receivable	150,358
Prepaid items	796,599
Restricted:	
Cash and cash equivalents	11,824
Investments	17,295,770

Total current assets	<u>76,871,823</u>
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Noncurrent Assets:

Capital assets, not subject to depreciation	37,692,589
Capital assets net of accumulated depreciation	92,314,610
Total capital assets (net of accumulated depreciation)	<u>130,007,199</u>
Net pension asset	777,831

Total noncurrent assets	<u>130,785,030</u>
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Total assets	<u>207,656,853</u>
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Deferred Outflows of Resources

Deferred loss on refunding	94,513
Deferred outflows for pension	485,624
Deferred outflows for OPEB activity	9,744

Total deferred outflows of resources	<u>589,881</u>
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Liabilities**Current liabilities:**

Accounts payable and accrued liabilities	7,969,974
Accrued wages payable	113,366
Current portion of bonds payable	5,780,000
Accrued interest payable	67,645
Current portion of compensated absences	420,695

Total current liabilities	<u>14,351,680</u>
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Noncurrent liabilities:

Revenue bonds payable (net of premiums and discounts)	37,334,284
Compensated absences (less current portion)	841,390
Total OPEB liability	142,208

Total noncurrent liabilities	<u>38,317,882</u>
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Total liabilities	<u>52,669,562</u>
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Deferred Inflows of Resources

Deferred gain on refunding	244,962
Deferred inflows for pension	578,675
Deferred inflows for OPEB activity	2,632

Total Deferred Inflows of Resources	<u>826,269</u>
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Net Position

Net investment in capital assets	98,374,073
Restricted for:	
Debt service	5,608,342
Unrestricted	50,768,488

Total Net Position	<u>\$ 154,750,903</u>
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See notes to the financial statements.

GULF COAST WATER AUTHORITY*Statement of Revenues, Expenses, and Changes in Net Position**For the Year Ended August 31, 2018***Operating revenues**

Charges for sales and services:

Metered Water Sales	\$ 41,417,047
Bond Payment Revenue	6,963,593
Irrigation	2,821,778
Other	4,033,896

Total operating revenues 55,236,314**Operating expenses**

Personnel services	7,147,241
Supplies and materials	14,272,990
Contractual services	1,929,804
Other charges	1,626,799
Depreciation	13,135,192

Total operating expenses 38,112,026**Operating income (loss)** 17,124,288**Non-operating revenues (expenses)**

Investment income (loss)	1,150,390
Interest expense	(1,886,153)
Amortization of deferred charges and premium	110,959

Total non-operating revenues (expenses) (624,804)**Changes in Net Position** 16,499,484**Beginning Net Position** 138,386,189**Prior Period Adjustment** (134,770)**Ending Net Position** \$ 154,750,903

See notes to the financial statements.

GULF COAST WATER AUTHORITY*Page 1 of 2***Statement of Cash Flows***For the Year Ended August 31, 2018***Cash Flows from Operating Activities**

Receipts from customers	\$ 49,984,937
Payments to suppliers	(15,865,813)
Payments to employees	(6,131,276)
Net cash provided by operating activities	<u>27,987,848</u>

Cash Flows from Capital and Related**Financing Activities**

Acquisition and construction of capital assets	(25,068,949)
Principal paid on bonds	(5,385,000)
Proceeds from sale of revenue bonds	1,390,000
Interest paid on capital related debt	(2,010,738)
Net cash provided (used) by capital and related financing activities	<u>(31,074,687)</u>

Cash Flows from Investing Activities

Purchase of investments	955,233
Interest received	1,079,426
Net cash used by investing activities	<u>2,034,659</u>

Net increase (decrease) in cash

and cash equivalents	(1,052,180)
Beginning cash and cash equivalents	<u>1,720,408</u>
Ending cash and cash equivalents	<u>\$ 668,228</u>

Unrestricted cash and cash equivalents	\$ 656,404
Restricted cash and cash equivalents	11,824
Ending cash and cash equivalents	<u>\$ 668,228</u>

See notes to the financial statements.

GULF COAST WATER AUTHORITY*Page 2 of 2***Statement of Cash Flows (continued)***For the Year Ended August 31, 2018***Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

Operating income (loss)	\$ 17,124,288
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	13,135,192
Changes in Operating Assets and Liabilities	
(Increase) decrease in assets:	
Accounts receivable	(5,251,377)
Prepays	(76,266)
Deferred outflows for pensions	1,413,219
Deferred outflows for OPEB	(9,744)
Increase (decrease) in liabilities:	
Accounts payable	3,344,370
Wages payable	(326,245)
Compensated absences payable	1,823
Deferred inflows for pensions	99,838
Deferred inflows for OPEB	2,632
Total OPEB liability	7,438
Net pension liability	(1,477,320)
Net cash provided by operating activities	\$ 27,987,848

See notes to the financial statements.

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.

The Authority is a separate self-supporting governmental unit and is administered by a board of ten directors. Five directors are appointed by the Commissioners Court of Galveston County, one of whom represents municipal interests, two of whom represent industrial interests, and two of whom represent the county at large. Two directors are appointed by the Fort Bend County Commissioners Court, one of whom represents municipal interests, and one of whom represents the county at large. Three directors are appointed by the Brazoria County Commissioners Court, one of whom represents agricultural interests, one of whom represents municipal interest, and one of whom represents industrial interests. A director appointed to represent municipal or industrial interests must be a customer of or represent an entity that is a customer of the district.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Appointees serve two year terms, staggered five (5) one year and five (5) the next. Term of office coincides with the Authority's fiscal year, beginning September 1st.

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting

As a single purpose government engaging only in business type activities, the Authority follows enterprise fund accounting. 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 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.

C. Cash and Cash Equivalents

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

D. Accounts Receivable

Accounts receivable consist of balances due from customers of the various activities of the Authority. 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, 2018, no allowance for bad debts is recorded.

E. 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

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS *(continued)*

Note 1 - Summary of Significant Accounting Policies (continued)

F. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 then. The government has three items that qualify for reporting in this category:

- Deferred outflows of resources for pension – One portion of this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and will be recognized as a reduction of the net pension liability in the next fiscal year. The other portion of the deferred outflow relating to pension is a combination of differences arising from changes in assumptions and differences between expected and actual actuarial experience. These amounts will be recognized over the average remaining service life for all active, inactive, and retired members, which is currently six years.
- Deferred outflows of resources for OPEB – One portion of this deferred outflow results from OPEB plan contributions made after the measurement date of the total OPEB liability, and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Another portion of the deferred outflow relating to OPEB is the difference arising from changes in assumptions. This amount will be recognized over the average remaining service life for all active, inactive, and retired members, which is currently seven years.
- Deferred loss on refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category:

- Deferred gain on refunding – Reported in the government-wide statement of net position, this deferred inflow results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – This deferred inflow results from the differences between expected and actual actuarial experiences and will be recognized over the average remaining service life for all active, inactive, and retired members, which is currently five years.
- Deferred inflows of resources for OPEB – A portion of this deferred inflow results from the differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. The other portion of the deferred outflow relating to pension is a combination of differences arising from changes in assumptions and differences between expected and actual actuarial experience. These amounts will be recognized over the average remaining service life for all active, inactive, and retired members, which is currently six years.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

G. Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension and total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the Fiduciary Net Position of the Texas County and District Retirement System ("TCDRS") and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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.

H. Unamortized Bond Discounts and Premiums

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

I. Prepaid Items

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

J. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenses.

K. 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, liabilities, deferred inflows and outflows for pension items, 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.

L. Date of Management's Review

Subsequent events have been evaluated through January 10, 2019, which is the date the financial statements were available to be issued.

M. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. 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.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

M. Net Position (continued)

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 by division as of August 31, 2018, follows:

Division	Capital Assets Net of Depreciation	Unspent Bond Proceeds	Capital Related Bonds Payable*	Net Investment In Capital Assets
League City SE Water Purification Plant	\$ 19,309,237	\$ -	\$ (773,087)	\$ 18,536,150
Thomas Mackey Water Treatment Plant	10,958,189	-	-	10,958,189
Canal Division	9,640,936	-	-	9,640,936
Galveston County WCID #12	1,020,976	-	(1,390,000)	(369,024)
1997 Galveston Projects	319,661	-	-	319,661
1998 A-B Series South Projects	10,569,846	-	(10,868,708)	(298,862)
1998 C Series Texas City Projects	4,961,241	-	(3,171,557)	1,789,684
1998 D Series La Marque Projects	968,715	-	(967,894)	821
2002 Series Galveston Projects	7,873,169	-	(2,648,487)	5,224,682
Juliff Chocolate Bayou Operations	5,129,672	-	-	5,129,672
Pearland SE Water Purification Plant	24,267,609	-	-	24,267,609
Northline Group	91,890	-	-	91,890
Bayshore Group	46,839	-	-	46,839
Texas City Reservoir	14,467,253	2,213,476	(9,800,000)	6,880,729
Industrial Pump Station	18,910,585	9,418,131	(13,645,000)	14,683,716
Hurricane Harvey	1,196,193	-	-	1,196,193
Administrative Operations	275,188	-	-	275,188
	<u>\$ 130,007,199</u>	<u>\$ 11,631,607</u>	<u>\$ (43,264,733)</u>	<u>\$ 98,374,073</u>

* Includes premium and deferred gains/losses on refunding

A summary of net position restricted for debt service as of August 31, 2018 follows:

	Restricted Cash and Investments for Debt Service	Liabilities Payable from Restricted Cash and Investments for Debt Service	Total
League City SE Water Purification Plant	\$ 288,938	\$ (1,200)	\$ 287,738
Galveston County WCID #12	339,918	(2,056)	337,862
1998 A-B South Projects	2,439,639	(21,100)	2,418,539
1998 C Series Texas City Projects	650,161	(6,125)	644,036
1998 D Series La Marque Projects	246,567	(1,885)	244,682
2002 Galveston Projects	98,640	(2,594)	96,046
Texas City Reservoir	148,914	(11,137)	137,777
Industrial Pump Station	1,463,193	(21,548)	1,441,645
Total	<u>\$ 5,675,970</u>	<u>\$ (67,645)</u>	<u>\$ 5,608,325</u>

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

N. Implementation of New Standards

In the current fiscal year, the Authority implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The Authority determined that this statement had no impact on fiscal year 2018 operations.

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.

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

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Cash and Cash Equivalents and Investments (continued)

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.

As of August 31, 2018, all cash and cash equivalents were secured by FDIC coverage or pledged securities.

Investments

Investments for the Authority are reported at fair value. The Authority categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The Authority's investment policy reflects the requirements of the Texas Public Funds Investment Act. This statute authorizes 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, investment pools, qualified commercial paper, and common trust funds.

State law and the Authority's investment policy limits investments in agency securities to be rated AA or better with a stated maturity not to exceed three years. Commercial paper is A1/P1 rated with a stated maturity not to exceed 180 days. As of August 31, 2018, all investments were made in accordance with the Authority's investment policy.

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

The Authority categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The FFCB and commercial paper held by the Authority are valued using level 2 inputs using quoted prices for similar assets or liabilities in active markets. The Authority does not hold any level 1 or level 3 inputs.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Cash and Cash Equivalents and Investments (continued)

Investments (continued)

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

Investment Type	Fair Value	Percentage of Portfolio	Weighted Average Maturity (Days)
TexPool	\$ 24,630,349	38.6%	39
FFCB	3,964,711	6.2%	725
Commercial Paper	35,204,518	55.2%	48
Totals	\$ 63,799,578	100%	87

Note 3 - Capital Assets

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

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,959,588	\$ -	\$ -	\$ 1,959,588
Construction in progress	13,083,874	31,301,213	(8,652,086)	35,733,001
Total capital assets not being depreciated	15,043,462	31,301,213	(8,652,086)	37,692,589
Capital assets being depreciated:				
Office furniture, fixtures and equipment	596,215	-	-	596,215
Other machinery and equipment	5,824,574	1,037,138	(111,234)	6,750,478
Automobiles and trucks	1,429,138	316,058	-	1,745,196
Buildings	4,418,977	50,250	-	4,469,227
Infrastructure	249,523,137	8,652,086	(1,199,069)	256,976,154
Total capital assets being depreciated	261,792,041	10,055,532	(1,310,303)	270,537,270
Less accumulated depreciation for:				
Office furniture, fixtures and equipment	(460,986)	(50,528)	-	(511,514)
Other machinery and equipment	(4,120,774)	(519,450)	96,167	(4,544,057)
Automobiles and trucks	(988,496)	(183,760)	-	(1,172,256)
Buildings	(2,639,218)	(277,427)	-	(2,916,645)
Infrastructure	(156,974,161)	(12,104,027)	-	(169,078,188)
Total accumulated depreciation	(165,183,635)	(13,135,192)	96,167	(178,222,660)
Total capital assets being depreciated, net	96,608,406	(3,079,660)	(1,214,136)	92,314,610
Total Capital Assets, net	\$ 111,651,868	\$ 28,221,553	\$ (9,866,222)	\$ 130,007,199

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Capital Assets (continued)

Construction in Progress

Construction in progress for the various projects and remaining commitments under these construction contracts as of August 31, 2018, is as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
LEAGUE CITY			
SWEPP 2012-2017 CIP True-Up	\$ 2,210,000	\$ 2,209,157	\$ 843
League City Transmission Line Study from SEWPP	1,063,885	1,063,885	-
Calder Road Improvements -Cross Colony	120,000	77,298	42,702
TOTAL	3,393,885	3,350,340	43,545
TM WATER TREATMENT PLANT			
Hydraulic Improvements {D}	250,000	125,928	124,072
Mono-fill No. 1	1,447,545	1,433,213	14,332
Sediment Basin No. 2	617,862	611,745	6,117
Projects under \$500,000	619,000	525,641	93,359
TOTAL	2,934,407	2,696,527	237,880
CANAL DIVISION			
Preliminary Work on G-Canal @ I-45 for Freeway Expansion	1,200,000	1,090,580	109,420
Projects under \$500,000	948,000	331,504	616,496
TOTAL	2,148,000	1,422,084	725,916
GALVESTON COUNTY WCID #12			
WCID 12 FM 517 Booster PS	1,200,000	1,000,534	199,466
TOTAL	1,200,000	1,000,534	199,466
GALVESTON 97 BONDS			
Galveston Line Extension to TxDOT Bridge	35,000	33,924	1,076
Improvements to Virginia Point Reduction Valve	630,000	36,589	593,411
Projects under \$500,000	134,000	122,863	11,137
TOTAL	799,000	193,376	605,624
CHOCOLATE BAYOU DIVISION			
CB Pump Station Rplcmnt Design	500,000	274,320	225,680
Salt Water Barrier Improvements - Engineering Study Klotz	1,400,000	124,169	1,275,831
Support Structure Refurbishment @ May Plant #2	600,000	559,666	40,334
Projects under \$500,000	486,500	369,970	116,530
TOTAL	2,986,500	1,328,125	1,658,375
PEARLAND			
SWEPP 2012-2017 CIP True-Up	1,100,000	1,027,515	72,485
TOTAL	1,100,000	1,027,515	72,485
TEXAS CITY RESERVOIR (TCR)			
0100 Reservoir Intake & Discha	11,000,000	10,135,968	864,032
Drainage Improvements Design	550,000	155,564	394,436
Projects under \$500,000	236,500	69,570	166,930
TOTAL	11,786,500	10,361,102	1,425,398
TEXAS CITY INDUSTRIAL (IPS)			
IPS Replacement Pump Station	12,000,000	11,685,726	314,274
Marathon TRD Emergency Pipe Ra	1,900,000	1,853,582	46,418
Projects under \$500,000	605,000	460,256	144,744
TOTAL	14,505,000	13,999,564	505,436
HURRICANE HARVEY			
F08042-PW-Shannon Plant PW	86,000	85,238	762
F21044-PW-May Plant PW	1,800,000	23,571	1,776,429
F08043-PW-Briscoe Plant PW	800,000	6,363	793,637
Various Construction/Repair projects	238,287	238,287	-
TOTAL	2,924,287	353,459	2,570,828
ADMINISTRATIVE			
Operations Center	50,000	375	49,625
TOTAL	50,000	375	49,625
TOTAL - Construction in Progress	\$ 43,827,579	\$ 35,733,001	\$ 8,094,578

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Long-Term Debt

Changes in Long Term Liabilities

Total long-term liability activity for the year ended August 31, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Bonds Payable:						
Revenue bonds	\$ 46,393,000	\$ 1,390,000	\$ 5,385,000	\$ 42,398,000	\$ 5,780,000	\$ 36,618,000
Bond premiums	897,250	-	180,966	716,284	-	716,284
Total bonds payable	47,290,250	1,390,000	5,565,966	43,114,284	5,780,000	37,334,284
Compensated absences	1,260,262	421,910	420,087	1,262,085	420,695	841,390
Long term liabilities	\$ 48,550,512	\$ 1,811,910	\$ 5,986,053	\$ 44,376,369	\$ 6,200,695	\$ 38,175,674

Revenue bond long-term activity for the year ended August 31, 2018, is as follows:

	Balances at September 01, 2017	Additions	Deductions	Balances at August 31, 2018	Due Within One Year
Industrial Division					
Contract Revenue Bonds:					
Series 2016 A	\$ 4,875,000	\$ -	\$ 440,000	\$ 4,435,000	\$ 450,000
Series 2016 B	5,875,000	-	510,000	5,365,000	525,000
Series 2017	14,135,000	-	490,000	13,645,000	650,000
Series 2018	-	1,390,000	-	1,390,000	70,000
Total Industrial Division	24,885,000	1,390,000	1,440,000	24,835,000	1,695,000
League City Southeast Division					
Contract Revenue Bonds:					
Series 2011 F	985,000	-	235,000	750,000	240,000
Total League City Southeast Division	985,000	-	235,000	750,000	240,000
1998-A South Projects					
Contract Revenue Bonds:					
Series 2011 A	10,835,000	-	1,985,000	8,850,000	2,060,000
Series 2011 B	1,685,000	-	310,000	1,375,000	325,000
Total 1998 A-B South Projects	12,520,000	-	2,295,000	10,225,000	2,385,000
1998 C Series Texas City Projects					
Contract Revenue Bonds:					
Series 2011 C	3,390,000	-	450,000	2,940,000	475,000
Total 1998 C Series Texas City Projects	3,390,000	-	450,000	2,940,000	475,000
2002 Galveston Projects					
Contract Revenue Bonds:					
Series 2012	3,513,000	-	770,000	2,743,000	785,000
Total Galveston Projects	3,513,000	-	770,000	2,743,000	785,000
1998 D Series La Marque Projects					
Contract Revenue Bonds:					
Series 2011 D	1,100,000	-	195,000	905,000	200,000
Total 1998 D Series La Marque Projects	1,100,000	-	195,000	905,000	200,000
Total Bonds Payable	\$ 46,393,000	\$ 1,390,000	\$ 5,385,000	\$ 42,398,000	\$ 5,780,000

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Long-Term Debt (continued)

Changes in Long Term Liabilities (continued)

Maturities of bonds payable is as follows:

Years	Principal	Interest	Total
2019	\$ 5,780,000	\$ 1,628,554	\$ 7,408,554
2020	6,020,000	1,378,960	7,398,960
2021	6,230,000	1,155,091	7,385,091
2022	6,653,000	905,080	7,558,080
2023	1,930,000	608,019	2,538,019
2024-2028	10,045,000	2,078,718	12,123,718
2029-2033	5,740,000	457,982	6,197,982
Total	\$ 42,398,000	\$ 8,212,404	\$ 50,610,404

In the current fiscal year, the Authority issued \$1,390,000 Contract Revenue Bond (WCID No. 12 Project), Series 2018. The bonds were dated February 22, 2018 and will mature on August 15, 2033 bearing interest at a rate of 3.550% per annum.

Note 5 - 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, 2018, accrued compensated absences are \$1,262,085.

Note 6 - 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 75 or more. Members are vested after 5 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 (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Plan Description (continued)

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

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, 2017, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%
Growth in membership	0.00%
Payroll growth	1.00%

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

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 and then projected with 110% of the MP-2014 Ultimate scale thereafter. 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 projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.

Actuarial assumptions used in the December 31, 2017, 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 2012, 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.

The long-term expected rate of return on pension plan investments is 8.1%. 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:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	7.50%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total Assets	100.00%	5.61%

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Changes in Actuarial Valuation

Legislation effective in 2017 changed the fund structure for TCDRS. Previously, when a member retired, assets were transferred to a system-wide fund (the Current Service Annuity Reserve Fund or CSARF) and the associated benefit was paid from the CSARF. Effective January 1, 2017, benefits that were previously paid from the CSARF will now be paid by the retiree's former employer. CSARF assets have been allocated back to the employer in proportion to their share of the liabilities. For valuation purposes, this allocation is treated as having occurred on December 31, 2016.

The asset smoothing method was modified to provide more stable year-to-year changes. The recognition period remains five years.

The treatment of extra contributions due to employer lump sums or elected rates was changed to provide more immediate impact on employer liabilities, resulting in a greater reduction in the required contribution rate.

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.

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2016	\$ 22,068,962	\$ 21,369,473	\$ 699,489
Changes for the Year			
Service cost	525,024	-	525,024
Interest on total pension liability	1,793,234	-	1,793,234
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	37,814	-	37,814
Effect of assumptions changes or inputs	(2,147)	-	(2,147)
Refund of contributions	(29,821)	(29,821)	-
Benefit payments	(898,838)	(898,838)	-
Administrative expenses	-	(16,142)	16,142
Member contributions	-	327,923	(327,923)
Net investment income	-	3,116,068	(3,116,068)
Employer contributions	-	406,156	(406,156)
Other	-	(2,760)	2,760
Balances as of December 31, 2017	\$ 23,494,228	\$ 24,272,059	\$ (777,831)

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

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	\$ 26,296,405	\$ 23,494,228	\$ 21,097,321
Fiduciary net position	24,272,059	24,272,059	24,272,059
	<u>\$ 2,024,346</u>	<u>\$ (777,831)</u>	<u>\$ (3,174,738)</u>

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

For the year ended August 31, 2018, the Authority recognized pension expense of \$484,065.

As of August 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 133,303	\$ 355,315
Changes in assumptions	58,169	1,789
Net difference between projected and actual earnings	-	221,571
Contributions made subsequent to the measurement date	294,152	-
	<u>\$ 485,624</u>	<u>\$ 578,675</u>

The \$294,152 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ending August 31, 2019.

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 December 31,	Amount
2018	\$ 197,279
2019	39,364
2020	(357,010)
2021	(272,779)
2022	5,943
	<u>\$ (387,203)</u>

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Post Employment Benefits other than Pensions (OPEB)

Plan Description

The Authority participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system described more fully in Note 6. The benefit terms of this program are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The district's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000. The benefits provided by this program are as follows:

- All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan.
- The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
- The OPEB benefit is a fixed \$5,000 lump-sum benefit.
- No future increases are assumed in the \$5,000 benefit amount.
- Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year.

Membership Information

Members	Dec. 31, 2016	Dec. 31, 2017
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾ :	16	16
Number of active employees:	63	69
Average age of active employees:	43.47	43.17
Average length of service in years for active employees:	8.81	8.79
Inactive Employees Receiving Benefits ⁽¹⁾	28	26

⁽¹⁾ "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

Contributions

Under the GTL program, the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions. Employers in the Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree covered are included under GASB 75.

The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75 and are treated as a current benefit. Contributions made by the employer for retiree GTL benefits have been made at 0.13% and 0.12% for the 2017 and 2018

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Post Employment Benefits other than Pensions (OPEB) (continued)

Contributions (continued)

plan (calendar) years. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Actuarial Assumptions

The Authority's Total OPEB Liability ("TOL") was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age
Amortization method	Straight line amortization over expected working life
Asset valuation	
Actuarial assumptions	
Investment rate of return	3.44%
Inflation rate	does not apply

Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.44% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the TOL as of December 31, 2016 using a discount rate of 3.78% as of December 31, 2016.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of December 31, 2016	\$ 134,770
Changes for the Year	
Service cost	4,818
Interest on total pension liability	5,162
Effect of economic/demographic gains or losses	(3,071)
Effect of assumptions changes or inputs	6,619
Benefit payments	(6,090)
Balances as of December 31, 2017	\$ 142,208

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Post Employment Benefits other than Pensions (OPEB) (continued)

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.44%, as well as what the Gulf Coast Water Authority - Galveston County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate 2.44%	Discount Rate 3.44%	1% Increase in Discount Rate 4.44%
Total OPEB liability	\$ 168,642	\$ 142,208	\$ 121,596

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended August 31, 2018, the Authority recognized OPEB expense of \$10,487.

As of August 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 2,632
Changes in assumptions	5,673	-
Contributions made subsequent to the measurement date	4,071	-
	<u>\$ 9,744</u>	<u>\$ 2,632</u>

The \$4,071 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending August 31, 2019.

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

Year Ended December 31,	Amount
2018	\$ 507
2019	507
2020	507
2021	507
2022	507
2023	506
	<u>\$ 3,041</u>

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - 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.

Long-Term Contract for the Brooks Lake Diversion Weir Agreement with City of Sugar Land

The Gulf Coast Water Authority entered into a long-term agreement to establish a mechanism to fund the design, construction, operation, and maintenance costs of the Brooks Lake Diversion Weir. The City will finance the project and the Authority will reimburse the City for fifty percent of the cost of the project over no more than ten years in the manner stated in the agreement. Following the completion and acceptance by the City of the project, the parties will true up and reconcile the project costs to actual costs to reflect full reimbursement to the City by the Authority for fifty percent of the project costs.

Note 9 - 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, 2018, were \$168,875.

Note 10 - Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. Significant losses are covered by insurance as described below. There were no reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years. Risk of loss retained by the Authority is the annual premium plus the related deductibles. No uninsured losses for the year exceeded these amounts.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Insurance (continued)

At August 31, 2018, the Authority had a property and machinery breakdown coverage of \$58,890,410; flood and earth movement coverage of \$5,000,000; general liability coverage with a per occurrence limit of \$1,000,000 and a general aggregate limit of \$3,000,000; umbrella liability of \$1,000,000; director's liability of \$5,000,000; automobile liability of \$1,000,000; and workers compensation with statutory coverage.

All coverages with the exception of automobile and workers compensation are insured with admitted A.M. Best rated A insurance companies. The automobile and workers compensation are placed with Texas Municipal League Intergovernmental Risk Pool. The Authority participates in the Texas Municipal League Intergovernmental Risk Pool. Risk of loss retained by the Authority is the annual premium plus the related deductibles. No uninsured losses for the year exceeded these amounts.

Note 11 - Prior Period Adjustment

In the current fiscal year, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result, the beginning net position of the Authority has been restated on the Statement of Activities to reflect the total OPEB liability. The prior period adjustment is as follows:

Beginning Net Position	\$ 138,386,189
Restatement due to:	
Total OPEB liability (measurement date as of December 31, 2016)	<u>(134,770)</u>
Beginning Net Position - As Restated	<u><u>\$ 138,251,419</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS
For the Last Four Measurement Years ended December 31,
(UNAUDITED)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 525,024	\$ 521,896	\$ 446,105	\$ 424,292
Interest on total pension liability	1,793,234	1,705,631	1,600,213	1,451,551
Effect of plan changes	-	-	(50,096)	-
Effect of economic/demographic gains or losses	37,814	(541,362)	(76,245)	-
Effect of assumptions changes or inputs	(2,147)	-	145,422	-
Difference between expected and actual performance	-	-	-	508,957
Refund of contributions	(29,821)	(39,657)	(52,491)	-
Benefit payments/refunds of contributions	(898,838)	(781,376)	(637,742)	(526,744)
Net change in total pension liability	1,425,266	865,132	1,375,166	1,858,056
Total pension liability, beginning	22,068,962	21,203,830	19,828,664	17,970,608
Total pension liability, ending (a)	<u>\$ 23,494,228</u>	<u>\$ 22,068,962</u>	<u>\$ 21,203,830</u>	<u>\$ 19,828,664</u>
Fiduciary Net Position				
Employer contributions	\$ 406,156	\$ 374,433	\$ 332,112	\$ 550,788
Member contributions	327,923	302,310	268,141	242,851
Investment income net of investment expenses	3,116,068	1,511,562	(222,362)	1,283,888
Benefit payments	(898,838)	(781,376)	(637,742)	(526,744)
Refunds of contributions	(29,821)	(39,657)	(52,491)	-
Administrative expenses	(16,142)	(16,435)	(14,817)	(15,246)
Other	(2,760)	(403,097)	23,896	365,134
Net change in fiduciary net position	2,902,586	947,740	(303,263)	1,900,671
Fiduciary net position, beginning	<u>21,369,473</u>	<u>20,421,733</u>	<u>20,724,996</u>	<u>18,824,325</u>
Fiduciary net position, ending (b)	<u>\$ 24,272,059</u>	<u>\$ 21,369,473</u>	<u>\$ 20,421,733</u>	<u>\$ 20,724,996</u>
Net pension liability / (asset), ending = (a) - (b)	\$ (777,831)	\$ 699,489	\$ 782,097	\$ (896,332)
Fiduciary net position as a % of total pension liability	103.31%	96.83%	96.31%	104.52%
Pensionable covered payroll	4,684,610	4,318,716	3,830,584	3,469,295
Net pension liability / (asset) as a % of covered payroll	-16.60%	16.20%	20.42%	-25.84%

Note: GASB 68 requires ten years of data to be provided in this schedule,
however, because this standard was implemented in 2014, only four years are currently available.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
Last Four Fiscal Years
(UNAUDITED)

Year Ending August 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 332,112	\$ 332,112	\$ -	\$ 3,830,588	8.67%
2016	363,871	363,871	-	4,198,263	8.67%
2017	381,828	381,828	-	4,404,014	8.67%
2018	448,326	448,326	-	5,171,004	8.67%

Generally accepted accounting principles call for ten years of data to be shown. Information prior to fiscal year 2015 is not readily available.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS
For the Last Measurement Year ended December 31,
(UNAUDITED)

	2017
Total OPEB Liability	
Service cost	\$ 4,818
Interest on total OPEB liability	5,162
Effect of economic/demographic gains or losses	(3,071)
Effect of assumptions changes or inputs	6,619
Benefit payments/refunds of contributions	(6,090)
Net change in total OPEB liability	7,438
Total OPEB liability, beginning	134,770
Total OPEB liability, ending	<u>\$ 142,208</u>
 Pensionable covered payroll	 \$ 4,684,610
Total OPEB liability as a % of covered payroll	3.04%

Note: GASB 75 requires ten years of data to be provided in this schedule.
However, because the standard was implemented in fiscal year 2018,
data prior to measurement year 2017 is unavailable.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
Last Three Fiscal Years
(UNAUDITED)

Year Ending August 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 17,056	\$ 17,056	\$ -	\$ 4,198,263	0.41%
2017	16,885	16,885	-	4,404,014	0.38%
2018	18,971	18,971	-	5,171,004	0.37%



OTHER SUPPLEMENTARY INFORMATION



GULF COAST WATER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES-
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended August 31, 2018

	Budgeted Amounts			Variance with Financial Budget - Positive (Negative)
	Original	Final	Actual	
Operating Revenues:				
Metered water sales	\$ 59,394,784	\$ 59,394,784	\$ 61,654,780	\$ 2,259,996
Bond payment revenue	6,942,873	6,942,873	6,963,593	20,720
Irrigation sales	3,345,112	3,345,112	2,821,778	(523,334)
Total Operating Revenues	\$ 69,682,769	\$ 69,682,769	\$ 71,440,151	\$ 1,757,382
Operating Expenses:				
Personnel services	8,008,023	8,008,023	7,147,241	860,782
Supplies and materials	36,897,142	36,897,142	34,510,723	2,386,419
Contract services	2,508,649	2,508,649	1,929,804	578,845
Other charges	1,580,984	1,580,984	1,626,799	(45,815)
Capital	33,683,100	33,683,100	31,505,590	2,177,510
Total Operating Expenses	82,677,898	82,677,898	76,720,157	5,957,741
Nonoperating Revenues (Expenses)				
Investment earnings	371,049	371,049	1,150,390	779,341
Other revenues and (expenses)	145,000	145,000	4,033,896	3,888,896
Other sources	19,938,000	19,938,000	1,390,000	(18,548,000)
Interest expense	(7,289,523)	(7,289,523)	(1,886,153)	5,403,370
Total Nonoperating Revenues (Expenses)	13,164,526	13,164,526	4,688,133	(8,476,393)
Change in Net Position	169,397	169,397	(591,873)	(761,270)
Net Position at Beginning of Year	138,386,189	138,386,189	138,386,189	-
Net Position at End of Year	\$ 138,555,586	\$ 138,555,586	\$ 137,659,546	\$ (896,040)
Reconciliation to GAAP based Financial Statements				
Net Position budgetary basis			\$ 137,659,546	
Add: Capital outlay			31,505,590	
Add: Amortization of bond premiums			110,959	
Less: Depreciation			(13,135,192)	
Less: Revenue bonds issued			(1,390,000)	
Net Position GAAP Basis			<u>\$ 154,750,903</u>	

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2018

	Industrial Division	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Assets				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 63,332	\$ 12,729	\$ (359,487)
Investments	-	575,496	7,463,124	14,997,761
Accounts receivable	-	2,093,590	2,497,425	2,123,735
Interest receivable	-	932	21,949	41,217
Due from other divisions	-	-	173,353	982,432
Prepaid items	-	-	-	681,534
Restricted:				
Cash and cash equivalents	-	1,516	-	-
Investments	-	287,422	-	-
Total current assets	-	3,022,288	10,168,580	18,467,192
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	-	3,350,341	3,344,285	1,869,174
Capital assets, net of accumulated depreciation	-	15,958,896	7,613,904	7,771,762
Total capital assets	-	19,309,237	10,958,189	9,640,936
Net pension asset	-	-	272,200	303,331
Total noncurrent assets	-	19,309,237	11,230,389	9,944,267
Total assets	-	22,331,525	21,398,969	28,411,459
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	-
Deferred outflows for pension	-	-	170,000	189,424
Deferred outflows for OPEB	-	-	3,400	3,844
Total deferred outflows of resources	-	-	173,400	193,268
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	-	2,069,557	1,296,483	1,086,676
Accrued wages payable	-	63	37,790	38,685
Current portion of bonds payable	-	240,000	-	-
Accrued interest payable	-	1,200	-	-
Due to other divisions	-	5,800	86,996	92,796
Current portion of compensated absences	-	26	75,163	144,066
Total current liabilities	-	2,316,646	1,496,432	1,362,223
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	-	533,087	-	-
Compensated absences (less current portion)	-	51	150,326	288,132
Net OPEB liability	-	-	49,800	55,508
Total noncurrent liabilities	-	533,138	200,126	343,640
Total liabilities	-	2,849,784	1,696,558	1,705,863
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows for pension	-	-	202,500	225,675
Deferred inflows for OPEB activities	-	-	900	1,032
Total deferred inflows of resources	-	-	203,400	226,707
Net Position				
Net investment in capital assets	-	18,536,150	10,958,189	9,640,936
Restricted for:				
Debt service	-	287,738	-	-
Unrestricted	-	657,853	8,714,222	17,031,221
Total Net Position	\$ -	\$ 19,481,741	\$ 19,672,411	\$ 26,672,157

Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects	1998 D La Marque Projects	2002 Galveston Projects
\$ 27,605	\$ 38,362	\$ 39,398	\$ -	\$ 54,499	\$ -
-	947,919	120,095	-	-	-
13,663	64,147	299,739	51,662	25,838	72,265
-	751	8,774	2,383	886	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,487	1,514	1,958	3,332
339,918	-	2,436,152	648,647	244,609	95,308
381,186	1,051,179	2,907,645	704,206	327,790	170,905
1,000,534	193,377	-	-	-	-
20,442	126,284	10,569,846	4,961,241	968,715	7,873,169
1,020,976	319,661	10,569,846	4,961,241	968,715	7,873,169
-	7,800	-	-	-	-
1,020,976	327,461	10,569,846	4,961,241	968,715	7,873,169
1,402,162	1,378,640	13,477,491	5,665,447	1,296,505	8,044,074
-	-	-	-	-	94,513
-	4,800	-	-	-	-
-	100	-	-	-	-
-	4,900	-	-	-	94,513
32,757	4,814	5,362	5,000	5,000	5,000
141	639	474	-	-	-
70,000	-	2,385,000	475,000	200,000	785,000
2,056	-	21,100	6,125	1,885	2,594
2,900	2,900	187,900	-	-	-
825	1,362	2,467	-	-	-
108,679	9,715	2,602,303	486,125	206,885	792,594
1,320,000	-	8,278,456	2,656,847	767,894	1,958,000
1,650	2,723	4,933	-	-	-
-	1,400	-	-	-	-
1,321,650	4,123	8,283,389	2,656,847	767,894	1,958,000
1,430,329	13,838	10,885,692	3,142,972	974,779	2,750,594
-	-	205,252	39,710	-	-
-	5,800	-	-	-	-
-	-	-	-	-	-
-	5,800	205,252	39,710	-	-
(369,024)	319,661	(298,862)	1,789,684	821	5,224,682
337,862	-	2,418,539	644,036	244,682	96,046
2,995	1,044,241	266,870	49,045	76,223	67,265
\$ (28,167)	\$ 1,363,902	\$ 2,386,547	\$ 2,482,765	\$ 321,726	\$ 5,387,993

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2018

	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations	Pearland Southeast Water Purification Plant	Northline Group
Assets				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 65,654	\$ 39,541	\$ 46,465
Investments	-	8,423,645	271,951	139,520
Accounts receivable	-	2,147,049	988,484	11,374
Interest receivable	-	27,837	-	-
Due from other divisions	-	140,102	-	-
Prepaid items	-	115,065	-	-
Restricted:				
Cash and cash equivalents	-	17	-	-
Investments	-	-	-	-
Total current assets	-	10,919,369	1,299,976	197,359
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	-	1,349,099	1,027,515	-
Capital assets, net of accumulated depreciation	-	3,780,573	23,240,094	91,890
Total capital assets	-	5,129,672	24,267,609	91,890
Net pension asset	-	132,200	-	-
Total noncurrent assets	-	5,261,872	24,267,609	91,890
Total assets	-	16,181,241	25,567,585	289,249
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	-
Deferred outflows for pension	-	82,600	-	-
Deferred outflows for OPEB	-	1,700	-	-
Total deferred outflows of resources	-	84,300	-	-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	-	372,182	1,126,033	-
Accrued wages payable	-	18,108	63	317
Current portion of bonds payable	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other divisions	-	40,958	5,800	2,900
Current portion of compensated absences	-	77,362	26	1,694
Total current liabilities	-	508,610	1,131,922	4,911
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	-	-	-	-
Compensated absences (less current portion)	-	154,723	51	3,389
Net OPEB liability	-	24,200	-	-
Total noncurrent liabilities	-	178,923	51	3,389
Total liabilities	-	687,533	1,131,973	8,300
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows for pension	-	98,400	-	-
Deferred inflows for OPEB activities	-	400	-	-
Total deferred inflows of resources	-	98,800	-	-
Net Position				
Net investment in capital assets	-	5,129,672	24,267,609	91,890
Restricted for:				
Debt service	-	17	-	-
Unrestricted	-	10,349,519	168,003	189,059
Total Net Position	\$ -	\$ 15,479,208	\$ 24,435,612	\$ 280,949

Bayshore Group	Texas City Reservoir	Industrial Pump Station	Hurricane Harvey	Administrative Operations	Eliminations	Total
\$ 17,982	\$ 269,892	\$ (192,500)	\$ 372,447	\$ 160,485	\$ -	\$ 656,404
30,000	3,857,899	8,287,243	-	1,389,155	-	46,503,808
6,568	9,683	1,051,838	-	-	-	11,457,060
-	8,708	35,709	-	1,212	-	150,358
-	1,720	-	-	517,251	(1,814,858)	-
-	-	-	-	-	-	796,599
-	-	-	-	-	-	11,824
-	2,362,390	10,881,324	-	-	-	17,295,770
54,550	6,510,292	20,063,614	372,447	2,068,103	(1,814,858)	76,871,823
-	11,074,108	14,130,322	353,459	375	-	37,692,589
46,839	3,393,145	4,780,263	842,734	274,813	-	92,314,610
46,839	14,467,253	18,910,585	1,196,193	275,188	-	130,007,199
-	15,600	46,700	-	-	-	777,831
46,839	14,482,853	18,957,285	1,196,193	275,188	-	130,785,030
101,389	20,993,145	39,020,899	1,568,640	2,343,291	(1,814,858)	207,656,853
-	-	-	-	-	-	94,513
-	9,700	29,100	-	-	-	485,624
-	200	500	-	-	-	9,744
-	9,900	29,600	-	-	-	589,881
-	43,033	1,627,427	121,946	168,704	-	7,969,974
180	2,538	6,434	-	7,934	-	113,366
-	975,000	650,000	-	-	-	5,780,000
-	11,137	21,548	-	-	-	67,645
2,900	51,457	34,304	1,297,247	-	(1,814,858)	-
1,018	5,864	20,327	-	90,495	-	420,695
4,098	1,089,029	2,360,040	1,419,193	267,133	(1,814,858)	14,351,680
-	8,825,000	12,995,000	-	-	-	37,334,284
2,037	11,729	40,655	-	180,991	-	841,390
-	2,800	8,500	-	-	-	142,208
2,037	8,839,529	13,044,155	-	180,991	-	38,317,882
6,135	9,928,558	15,404,195	1,419,193	448,124	(1,814,858)	52,669,562
-	-	-	-	-	-	244,962
-	11,600	34,700	-	-	-	578,675
-	100	200	-	-	-	2,632
-	11,700	34,900	-	-	-	826,269
46,839	6,880,729	14,683,716	1,196,193	275,188	-	98,374,073
-	137,777	1,441,645	-	-	-	5,608,342
48,415	4,044,281	7,486,043	(1,046,746)	1,619,979	-	50,768,488
\$ 95,254	\$ 11,062,787	\$ 23,611,404	\$ 149,447	\$ 1,895,167	\$ -	\$ 154,750,903

GULF COAST WATER AUTHORITY

COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION

Year Ended August 31, 2018

	Industrial Division	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Operating revenues				
Charges for sales and services				
Metered water sales	\$ -	\$ 5,076,148	\$ 15,163,706	\$ 13,739,029
Bond payment revenue	-	275,716	-	-
Irrigation sales	-	-	-	584,174
Other income	-	75,110	1,683,321	1,827,970
Total operating revenues	<u>-</u>	<u>5,426,974</u>	<u>16,847,027</u>	<u>16,151,173</u>
Operating expenses				
Personnel services	-	2,787	2,067,925	2,273,308
Materials	-	2,316,131	7,647,177	6,163,526
Contractual services	-	10,636	199,367	723,818
Other charges	-	1	110,223	711,355
Administrative allocation	-	48,543	655,494	707,434
Depreciation	-	1,395,475	2,231,304	1,716,685
Total operating expenses	<u>-</u>	<u>3,773,573</u>	<u>12,911,490</u>	<u>12,296,126</u>
Operating income (loss)	<u>-</u>	<u>1,653,401</u>	<u>3,935,537</u>	<u>3,855,047</u>
Nonoperating revenues (expenses)				
Investment income (loss)	-	11,882	126,867	221,107
Interest expense	-	(36,119)	-	-
Amortization of deferred losses/gains and premium	-	1,944	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(22,293)</u>	<u>126,867</u>	<u>221,107</u>
Income (loss) before transfers	<u>-</u>	<u>1,631,108</u>	<u>4,062,404</u>	<u>4,076,154</u>
Transfers in	66,669	-	-	64
Transfers out	(30,709,586)	-	-	-
Changes in Net Position	(30,642,917)	1,631,108	4,062,404	4,076,218
Beginning Net Position	30,642,917	17,850,633	15,657,207	22,648,509
Prior period adjustment	-	-	(47,200)	(52,570)
Ending Net Position	<u>\$ -</u>	<u>\$ 19,481,741</u>	<u>\$ 19,672,411</u>	<u>\$ 26,672,157</u>

Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects	1998 D La Marque Projects	2002 Galveston Projects
\$ 39,629	\$ 769,769	\$ 805,245	\$ -	\$ 60,000	\$ -
20,720	-	2,812,671	619,949	250,054	867,174
-	-	-	-	-	-
-	6	-	-	-	-
<u>60,349</u>	<u>769,775</u>	<u>3,617,916</u>	<u>619,949</u>	<u>310,054</u>	<u>867,174</u>
7,940	31,027	25,636	-	-	-
-	-	-	-	-	-
24,605	43,350	8,843	-	-	3,000
-	21	-	-	-	-
26,269	21,565	26,269	-	-	-
2,400	25,092	2,140,661	1,026,214	210,849	1,446,713
<u>61,214</u>	<u>121,055</u>	<u>2,201,409</u>	<u>1,026,214</u>	<u>210,849</u>	<u>1,449,713</u>
(865)	648,720	1,416,507	(406,265)	99,205	(582,539)
7,733	10,080	59,154	14,030	5,599	7,215
(25,769)	-	(569,242)	(168,563)	(52,726)	(78,543)
(78,075)	-	154,418	52,133	9,971	(29,432)
<u>(96,111)</u>	<u>10,080</u>	<u>(355,670)</u>	<u>(102,400)</u>	<u>(37,156)</u>	<u>(100,760)</u>
(96,976)	658,800	1,060,837	(508,665)	62,049	(683,299)
-	-	-	-	-	-
-	-	-	-	-	-
(96,976)	658,800	1,060,837	(508,665)	62,049	(683,299)
68,809	706,402	1,325,710	2,991,430	259,677	6,071,292
-	(1,300)	-	-	-	-
<u>\$ (28,167)</u>	<u>\$ 1,363,902</u>	<u>\$ 2,386,547</u>	<u>\$ 2,482,765</u>	<u>\$ 321,726</u>	<u>\$ 5,387,993</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION
Year Ended August 31, 2018

	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations	Pearland Southeast Water Purification Plant	Northline Group
Operating revenues				
Charges for sales and services				
Metered water sales	\$ -	\$ 3,191,897	\$ 2,201,394	\$ 136,485
Bond payment revenue	-	-	-	-
Irrigation sales	-	2,237,604	-	-
Other income	-	34,071	13	6
Total operating revenues	<u>-</u>	<u>5,463,572</u>	<u>2,201,407</u>	<u>136,491</u>
Operating expenses				
Personnel services	-	994,234	2,787	17,308
Materials	-	1,500,535	859,494	-
Contractual services	-	165,137	5,082	5,347
Other charges	178,772	290,544	-	-
Administrative allocation	-	314,489	49,178	26,269
Depreciation	-	711,154	891,527	11,481
Total operating expenses	<u>178,772</u>	<u>3,976,093</u>	<u>1,808,068</u>	<u>60,405</u>
Operating income (loss)	<u>(178,772)</u>	<u>1,487,479</u>	<u>393,339</u>	<u>76,086</u>
Nonoperating revenues (expenses)				
Investment income (loss)	530	154,142	1,950	1,392
Interest expense	-	-	-	-
Amortization of deferred losses/gains and premium	-	-	-	-
Total nonoperating revenues (expenses)	<u>530</u>	<u>154,142</u>	<u>1,950</u>	<u>1,392</u>
Income (loss) before transfers	<u>(178,242)</u>	<u>1,641,621</u>	<u>395,289</u>	<u>77,478</u>
Transfers in	-	-	-	-
Transfers out	(64)	-	-	-
Changes in Net Position	(178,306)	1,641,621	395,289	77,478
Beginning Net Position	178,306	13,860,487	24,040,323	203,471
Prior period adjustment	-	(22,900)	-	-
Ending Net Position	<u>\$ -</u>	<u>\$ 15,479,208</u>	<u>\$ 24,435,612</u>	<u>\$ 280,949</u>

<u>Bayshore Group</u>	<u>Texas City Reservoir</u>	<u>Industrial Pump Station</u>	<u>Hurricane Harvey</u>	<u>Administrative Operations</u>	<u>Eliminations</u>	<u>Total</u>
\$ 78,819	\$ 10,357,542	\$ 10,035,117	\$ -	\$ -	\$ (20,237,733)	\$ 41,417,047
-	1,039,526	1,077,783	-	-	-	6,963,593
-	-	-	-	-	-	2,821,778
6	92,708	28,896	258,470	33,319	-	4,033,896
78,825	11,489,776	11,141,796	258,470	33,319	(20,237,733)	55,236,314
10,022	130,596	350,415	-	1,233,256	-	7,147,241
-	9,039,851	6,949,203	-	34,806	(20,237,733)	14,272,990
946	88,044	24,336	-	627,293	-	1,929,804
-	85	14,757	-	321,041	-	1,626,799
26,269	236,422	157,614	-	(2,295,815)	-	-
5,558	388,571	754,487	101,055	75,966	-	13,135,192
42,795	9,883,569	8,250,812	101,055	(3,453)	(20,237,733)	38,112,026
36,030	1,606,207	2,890,984	157,415	36,772	-	17,124,288
-	126,374	373,700	-	28,635	-	1,150,390
-	(292,024)	(663,167)	-	-	-	(1,886,153)
-	-	-	-	-	-	110,959
-	(165,650)	(289,467)	-	28,635	-	(624,804)
36,030	1,440,557	2,601,517	157,415	65,407	-	16,499,484
-	9,641,747	21,067,839	-	7,968	-	30,784,287
-	(16,817)	(49,852)	(7,968)	-	-	(30,784,287)
36,030	11,065,487	23,619,504	149,447	73,375	-	16,499,484
59,224	-	-	-	1,821,792	-	138,386,189
-	(2,700)	(8,100)	-	-	-	(134,770)
\$ 95,254	\$ 11,062,787	\$ 23,611,404	\$ 149,447	\$ 1,895,167	\$ -	\$ 154,750,903

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CASH FLOWS
Year Ended August 31, 2018

	Industrial Division	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 877,205	\$ 3,623,841	\$ 15,590,365	\$ 14,958,472
Payments to suppliers	(1,690,967)	(1,038,734)	(8,376,779)	(7,537,458)
Payments to employees	28,735	(2,712)	(2,130,059)	(2,395,967)
Net cash provided (used) by operating activities	<u>(785,027)</u>	<u>2,582,395</u>	<u>5,083,527</u>	<u>5,025,047</u>
Cash Flows from Noncapital Financing Activities				
Intragovernmental transfers (out)	(36,992,777)	1,805	(218,933)	(1,022,745)
Net cash provided (used) by noncapital financing activities	<u>(36,992,777)</u>	<u>1,805</u>	<u>(218,933)</u>	<u>(1,022,745)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(2,286,456)	(4,830,764)	(2,815,227)
Principal paid on bonds	-	(235,000)	-	-
Proceeds from sale of revenue bonds	-	-	-	-
Interest paid on capital related debt	(46,190)	(42,187)	-	-
Net cash provided (used) by capital and related financing activities	<u>(46,190)</u>	<u>(2,563,643)</u>	<u>(4,830,764)</u>	<u>(2,815,227)</u>
Cash Flows from Investing Activities				
Maturity (purchase) of investments	37,710,181	(535,549)	(313,557)	(1,935,324)
Interest received	69,811	10,970	107,330	184,149
Net cash provided by investing activities	<u>37,779,992</u>	<u>(524,579)</u>	<u>(206,227)</u>	<u>(1,751,175)</u>
Net increase (decrease) in cash and cash equivalents	(44,002)	(504,022)	(172,397)	(564,100)
Beginning cash and cash equivalents	44,002	568,870	185,126	204,613
Ending cash and cash equivalents	<u>\$ -</u>	<u>\$ 64,848</u>	<u>\$ 12,729</u>	<u>\$ (359,487)</u>
Ending cash and cash equivalents				
Unrestricted cash and cash equivalents	\$ -	\$ 63,332	\$ 12,729	\$ (359,487)
Restricted cash and cash equivalents	-	1,516	-	-
	<u>\$ -</u>	<u>\$ 64,848</u>	<u>\$ 12,729</u>	<u>\$ (359,487)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ -	\$ 1,653,401	\$ 3,935,537	\$ 3,855,047
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	1,395,475	2,231,304	1,716,685
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	877,205	(1,803,133)	(1,256,662)	(1,192,701)
Prepays	-	-	-	(23,221)
Deferred outflows for pensions	132,900	-	513,600	551,119
Deferred outflows for OPEB	-	-	(3,400)	(3,844)
Increase (decrease) in liabilities:				
Accounts payable	(1,690,967)	1,336,577	235,482	791,896
Wages payable	(21,665)	38	(104,580)	(121,549)
Compensated absences payable	-	37	22,646	(15,173)
Deferred inflows for pension	(33,500)	-	30,100	38,938
Deferred inflows for OPEB	-	-	900	1,032
Total OPEB liability	-	-	2,600	2,938
Net pension liability	(49,000)	-	(524,000)	(576,120)
Net cash provided (used) by operating activities	<u>\$ (785,027)</u>	<u>\$ 2,582,395</u>	<u>\$ 5,083,527</u>	<u>\$ 5,025,047</u>

Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects	1998 D La Marque Projects	2002 Galveston Projects
\$ 59,429 (75,404) (7,919) <u>(23,894)</u>	\$ 732,705 (68,043) (32,140) <u>632,522</u>	\$ 3,596,236 (40,338) (26,432) <u>3,529,466</u>	\$ 619,910 5,000 - <u>624,910</u>	\$ 305,031 5,000 - <u>310,031</u>	\$ 866,181 2,000 - <u>868,181</u>
2,900	(1,804)	187,900	-	-	-
2,900	(1,804)	187,900	-	-	-
(931,266) - 1,390,000 (101,788) <u>356,946</u>	(29,865) - - - <u>(29,865)</u>	(789,436) (2,295,000) - (578,474) <u>(3,662,910)</u>	- (450,000) - (175,251) <u>(625,251)</u>	- (195,000) - (58,800) <u>(253,800)</u>	- (770,000) - (85,542) <u>(855,542)</u>
(339,918) 7,733 (332,185) <u>(332,185)</u>	(681,003) 9,393 (671,610) <u>(671,610)</u>	(171,714) 50,380 (121,334) <u>(121,334)</u>	(7,188) 11,647 4,459 <u>4,459</u>	(6,690) 4,713 (1,977) <u>(1,977)</u>	(17,502) 7,215 (10,287) <u>(10,287)</u>
3,767 23,838 <u>\$ 27,605</u>	(70,757) 109,119 <u>\$ 38,362</u>	(66,878) 109,763 <u>\$ 42,885</u>	4,118 (2,604) <u>\$ 1,514</u>	54,254 2,203 <u>\$ 56,457</u>	2,352 980 <u>\$ 3,332</u>
\$ 27,605 - <u>\$ 27,605</u>	\$ 38,362 - <u>\$ 38,362</u>	\$ 39,398 3,487 <u>\$ 42,885</u>	\$ - 1,514 <u>\$ 1,514</u>	\$ 54,499 1,958 <u>\$ 56,457</u>	\$ - 3,332 <u>\$ 3,332</u>
\$ (865)	\$ 648,720	\$ 1,416,507	\$ (406,265)	\$ 99,205	\$ (582,539)
2,400	25,092	2,140,661	1,026,214	210,849	1,446,713
(920) - - - (24,530) 102 (81) - - - - <u>(23,894)</u>	(37,070) - 14,200 (100) (3,107) (1,399) (114) 1,000 - 100 (14,800) <u>632,522</u>	(21,680) - - - (5,226) 435 (1,231) - - - - <u>3,529,466</u>	(39) - - - 5,000 - - - - - - <u>624,910</u>	(5,023) - - - 5,000 - - - - - - - <u>310,031</u>	(993) - - - 5,000 - - - - - - - <u>868,181</u>

GULF COAST WATER AUTHORITY

COMBINING INFORMATION BY DIVISION - CASH FLOWS (continued)

Year Ended August 31, 2018

	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations	Pearland Southeast Water Purification Plant	Northline Group
Cash Flows from Operating Activities				
Receipts from customers and users	\$ -	\$ 5,609,792	\$ 1,313,456	\$ 132,617
Payments to suppliers	(178,772)	(2,125,018)	(123,829)	(33,266)
Payments to employees	-	(1,019,421)	(2,712)	(17,719)
Net cash provided (used) by operating activities	<u>(178,772)</u>	<u>2,465,353</u>	<u>1,186,915</u>	<u>81,632</u>
Cash Flows from Noncapital				
Financing Activities				
Intragovernmental transfers (out)	(64)	(152,421)	2,440	2,900
Net cash provided (used) by noncapital financing activities	<u>(64)</u>	<u>(152,421)</u>	<u>2,440</u>	<u>2,900</u>
Cash Flows from Capital and Related				
Financing Activities				
Acquisition and construction of capital assets	-	(1,535,449)	(1,027,515)	-
Principal paid on bonds	-	-	-	-
Proceeds from sale of revenue bonds	-	-	-	-
Interest paid on capital related debt	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,535,449)</u>	<u>(1,027,515)</u>	<u>-</u>
Cash Flows from Investing Activities				
Maturity (purchase) of investments	141,194	(907,353)	(271,951)	(139,520)
Interest received	569	129,094	1,950	1,392
Net cash provided by investing activities	<u>141,763</u>	<u>(778,259)</u>	<u>(270,001)</u>	<u>(138,128)</u>
Net increase (decrease) in cash and cash equivalents	<u>(37,073)</u>	<u>(776)</u>	<u>(108,161)</u>	<u>(53,596)</u>
Beginning cash and cash equivalents	<u>37,073</u>	<u>66,447</u>	<u>147,702</u>	<u>100,061</u>
Ending cash and cash equivalents	<u>\$ -</u>	<u>\$ 65,671</u>	<u>\$ 39,541</u>	<u>\$ 46,465</u>
Ending cash and cash equivalents				
Unrestricted cash and cash equivalents	\$ -	\$ 65,654	\$ 39,541	\$ 46,465
Restricted cash and cash equivalents	-	17	-	-
	<u>\$ -</u>	<u>\$ 65,671</u>	<u>\$ 39,541</u>	<u>\$ 46,465</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (178,772)	\$ 1,487,479	\$ 393,339	\$ 76,086
Adjustment to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	-	711,154	891,527	11,481
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	-	146,220	(887,951)	(3,874)
Prepays	-	(53,045)	-	-
Deferred outflows for pensions	-	240,200	-	-
Deferred outflows for OPEB	-	(1,700)	-	-
Increase (Decrease) in Liabilities:				
Accounts payable	-	198,732	789,925	(1,650)
Wages Payable	-	(47,214)	37	278
Compensated absences payable	-	15,927	38	(689)
Deferred inflows for pension	-	17,000	-	-
Deferred inflows for OPEB	-	400	-	-
Total OPEB liability	-	1,300	-	-
Net pension liability	-	(251,100)	-	-
Net cash provided by operating activities	<u>\$ (178,772)</u>	<u>\$ 2,465,353</u>	<u>\$ 1,186,915</u>	<u>\$ 81,632</u>

Bayshore Group	Texas City Reservoir	Industrial Pump Station	Hurricane Harvey	Administrative Operations	Eliminations	Total
\$ 75,590	\$ 11,480,093	\$ 10,089,958	\$ 258,470	\$ 33,319	\$ (20,237,733)	\$ 49,984,937
(28,865)	(9,321,369)	(5,518,483)	-	41,779	20,237,733	(15,865,813)
(10,097)	(140,982)	(373,851)	-	-	-	(6,131,276)
<u>36,628</u>	<u>2,017,742</u>	<u>4,197,624</u>	<u>258,470</u>	<u>75,098</u>	<u>-</u>	<u>27,987,848</u>
2,900	9,674,667	27,359,888	1,297,247	(143,903)	-	-
<u>2,900</u>	<u>9,674,667</u>	<u>27,359,888</u>	<u>1,297,247</u>	<u>(143,903)</u>	<u>-</u>	<u>-</u>
-	(4,089,007)	(5,480,220)	(1,183,270)	(70,474)	-	(25,068,949)
-	(950,000)	(490,000)	-	-	-	(5,385,000)
-	-	-	-	-	-	1,390,000
-	(280,887)	(641,619)	-	-	-	(2,010,738)
<u>-</u>	<u>(5,319,894)</u>	<u>(6,611,839)</u>	<u>(1,183,270)</u>	<u>(70,474)</u>	<u>-</u>	<u>(31,074,687)</u>
(30,000)	(6,220,289)	(25,476,164)	-	157,580	-	955,233
-	117,666	337,991	-	27,423	-	1,079,426
<u>(30,000)</u>	<u>(6,102,623)</u>	<u>(25,138,173)</u>	<u>-</u>	<u>185,003</u>	<u>-</u>	<u>2,034,659</u>
9,528	269,892	(192,500)	372,447	45,724	-	(1,052,180)
8,454	-	-	-	114,761	-	1,720,408
<u>\$ 17,982</u>	<u>\$ 269,892</u>	<u>\$ (192,500)</u>	<u>\$ 372,447</u>	<u>\$ 160,485</u>	<u>\$ -</u>	<u>\$ 668,228</u>
\$ 17,982	\$ 269,892	\$ (192,500)	\$ 372,447	\$ 160,485	\$ -	\$ 656,404
-	-	-	-	-	-	11,824
<u>\$ 17,982</u>	<u>\$ 269,892</u>	<u>\$ (192,500)</u>	<u>\$ 372,447</u>	<u>\$ 160,485</u>	<u>\$ -</u>	<u>\$ 668,228</u>
\$ 36,030	\$ 1,606,207	\$ 2,890,984	\$ 157,415	\$ 36,772	\$ -	\$ 17,124,288
5,558	388,571	754,487	101,055	75,966	-	13,135,192
(3,235)	(9,683)	(1,051,838)	-	-	-	(5,251,377)
-	-	-	-	-	-	(76,266)
-	(9,700)	(29,100)	-	-	-	1,413,219
-	(200)	(500)	-	-	-	(9,744)
(1,650)	43,033	1,627,427	-	33,428	-	3,344,370
141	1,866	3,861	-	(36,596)	-	(326,245)
(216)	1,448	13,703	-	(34,472)	-	1,823
-	11,600	34,700	-	-	-	99,838
-	100	200	-	-	-	2,632
-	100	400	-	-	-	7,438
-	(15,600)	(46,700)	-	-	-	(1,477,320)
<u>\$ 36,628</u>	<u>\$ 2,017,742</u>	<u>\$ 4,197,624</u>	<u>\$ 258,470</u>	<u>\$ 75,098</u>	<u>\$ -</u>	<u>\$ 27,987,848</u>



UNAUDITED STATISTICAL SECTION

(Unaudited)

This section of the 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>Pages</u>
Financial Trends	58
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	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	66
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	68
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	72
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 Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Business-type activities				
Net investment in capital assets	\$ 61,739,333	\$ 62,285,473	\$ 68,818,981	\$ 71,596,314
Restricted	9,248,402	8,991,124	7,410,661	5,661,833
Unrestricted	43,108,938	48,711,327	46,555,388	44,998,487
Total business-type activities net position	<u>\$ 114,096,673</u>	<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</u>

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

2013	2014	2015	2016	2017	2018
\$ 82,210,275	\$ 89,968,160	\$ 89,164,201	\$ 86,052,697	\$ 89,007,877	\$ 98,374,073
4,613,439	4,402,858	3,660,154	3,593,830	5,758,363	5,608,342
45,079,354	39,492,731	40,682,653	45,764,902	43,619,949	50,768,488
<u>\$ 131,903,068</u>	<u>\$ 133,863,749</u>	<u>\$ 133,507,008</u>	<u>\$ 135,411,429</u>	<u>\$ 138,386,189</u>	<u>\$ 154,750,903</u>

GULF COAST WATER AUTHORITY

CHANGE IN NET POSITION

Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues				
Metered water sales	\$ 18,104,978	\$ 18,438,418	\$ 21,032,627	\$ 19,378,636
Bond payment revenue	16,747,932	7,675,036	7,901,210	6,679,086
Irrigation sales and other	<u>2,683,969</u>	<u>1,777,600</u>	<u>4,305,418</u>	<u>3,298,860</u>
Total operating revenues	<u>37,536,879</u>	<u>27,891,054</u>	<u>33,239,255</u>	<u>29,356,582</u>
Operating Expenses:				
Personnel services	3,455,994	3,660,715	4,012,351	4,386,157
Supplies and materials	10,104,430	8,272,368	14,066,690	11,814,066
Contracted services	1,886,120	2,071,717	2,563,779	2,700,910
Other charges	58,919	45,734	45,035	99,300
Depreciation	<u>4,860,043</u>	<u>5,710,496</u>	<u>6,681,940</u>	<u>8,128,117</u>
Total operating expenses	<u>20,365,506</u>	<u>19,761,030</u>	<u>27,369,795</u>	<u>27,128,550</u>
Operating income (loss)	<u>17,171,373</u>	<u>8,130,024</u>	<u>5,869,460</u>	<u>2,228,032</u>
Nonoperating Revenues (Expenses)				
Investment earnings	1,783,685	379,543	(684,067)	125,975
Other revenues and (expenses)	-	-	-	485,166
Bond issuance costs	-	-	-	(1,150,528)
Interest expense	(2,501,973)	(2,451,023)	(2,220,993)	(1,518,535)
Intergovernmental transfers	<u>(167,294)</u>	<u>(167,293)</u>	<u>(167,294)</u>	<u>(698,506)</u>
Total nonoperating revenues (expenses)	<u>(885,582)</u>	<u>(2,238,773)</u>	<u>(3,072,354)</u>	<u>(2,756,428)</u>
 Change in Net Position	 16,285,791	 5,891,251	 2,797,106	 (528,396)
Net Position at beginning of year	97,810,882	114,096,673	119,987,924	122,785,030
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position at end of year	<u>\$ 114,096,673</u>	<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</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)	<u>26,809,000</u>
	<u>\$ 43,414,800</u>

2013	2014	2015	2016	2017	2018
\$ 24,612,505	\$ 25,858,256	\$ 25,230,737	\$ 33,425,561	\$ 35,155,368	\$ 41,417,047
6,901,675	5,498,227	5,788,454	6,725,417	7,948,943	6,963,593
2,855,535	520,201	949,941	3,704,218	3,948,022	6,855,674
<u>34,369,715</u>	<u>31,876,684</u>	<u>31,969,132</u>	<u>43,855,196</u>	<u>47,052,333</u>	<u>55,236,314</u>
4,900,543	5,272,420	4,988,132	6,501,190	8,214,064	7,147,241
11,595,411	13,133,355	12,071,554	14,283,436	15,554,551	14,272,990
3,382,054	1,916,074	1,620,916	1,660,523	1,285,284	1,929,804
114,604	879,053	1,141,508	1,377,152	1,163,632	1,626,799
9,506,366	11,521,295	13,446,858	15,026,000	17,285,453	13,135,192
<u>29,498,978</u>	<u>32,722,197</u>	<u>33,268,968</u>	<u>38,848,301</u>	<u>43,502,984</u>	<u>38,112,026</u>
<u>4,870,737</u>	<u>(845,513)</u>	<u>(1,299,836)</u>	<u>5,006,895</u>	<u>3,549,349</u>	<u>17,124,288</u>
132,077	88,724	68,494	132,478	311,266	1,150,390
7,139,601	3,805,305	927,631	(1,507,389)	450,668	110,959
-	-	-	-	-	-
(1,443,992)	(1,087,835)	(1,105,019)	(951,519)	(1,336,523)	(1,886,153)
-	-	-	-	-	-
<u>5,827,686</u>	<u>2,806,194</u>	<u>(108,894)</u>	<u>(2,326,430)</u>	<u>(574,589)</u>	<u>(624,804)</u>
10,698,423	1,960,681	(1,408,730)	2,680,465	2,974,760	16,499,484
122,256,634	132,955,057	134,915,738	133,507,008	135,411,429	138,386,189
-	-	-	(776,044)	-	(134,770)
<u>\$ 132,955,057</u>	<u>\$ 134,915,738</u>	<u>\$ 133,507,008</u>	<u>\$ 135,411,429</u>	<u>\$ 138,386,189</u>	<u>\$ 154,750,903</u>

GULF COAST WATER AUTHORITY
WATER SALES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Fees	Raw Water		Treated Water		Irrigation & Other
		Rates (1) (2)		Rates (1) (2)		
		Per Kgal				
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
2016	33,425,561	0.19	0.37	1.05	2.22	3,704,218
2017	35,155,368	0.20	0.38	1.11	2.09	3,948,022
2018	41,417,047	0.20	0.38	1.11	2.09	6,855,674

(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
Current Year and Eight Years Ago
(Unaudited)

Customer	2018			2010		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
City of Galveston	\$ 8,024,711	1	17%	\$ 3,651,676	1	15%
City of League City - SEWPP	6,015,520	2	12%	1,939,924	3	8%
Blanchard/Marathon GBR	5,557,104	3	12%	2,090,394	2	9%
City of Texas City	3,373,839	4	7%	1,640,205	4	7%
INEOS	3,191,897	5	7%	1,252,278	5	5%
City of Pearland	2,362,870	6	5%			0%
Union Carbide Corp./DOW	2,062,652	7	4%	887,738	6	4%
Ascend	1,442,620	8	3%			0%
Eastman Chemical	1,355,830	9	3%	501,554	10	2%
Galveston County WCID #1	1,281,314	10	3%	757,160	7	3%
City of Missouri City				633,567	8	3%
City of La Marque				525,671	9	2%

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



GULF COAST WATER AUTHORITY
LIST OF PRINCIPAL CUSTOMERS
August 31, 2018
(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
City of Texas City Golf Course

Municipal Customers

City of League City
Bacliff MUD
Bayview MUD
Galveston WCID #1
City of La Marque
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
Riverbend Country Club
Ascend Performance Material
GCWA Industrial Division
Underground Storage
First Colony Commons Shopping Center
Fort Bend MUD #2
City of Pearland
Mainland Concrete
Diamond K
First Colony Community Association
Pecan Grove MUD
Southwyck
Sugar Creek Country Club
Magnolia Creek Country Club

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	Water Revenue Bonds	Percentage of Revenue (1)
2009	\$ 70,025,000	186.55%
2010	64,970,000	232.94%
2011	56,825,000	170.96%
2012	51,160,000	174.27%
2013	41,080,000	119.52%
2014	36,750,000	115.29%
2015	33,769,594	105.63%
2016	28,939,566	65.99%
2017	47,290,250	99.99%
2018	43,114,284	91.16%

(1) Based on operating revenues.

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 BY FUND
Fiscal Year Ending August 31, 2018
(Unaudited)

Division	Water Revenue Bonds					
	Revenue	Less Operating Expenses*	Net Available for Debt Service	Debt Service		Cover Ratio
				Principal	Interest	
League City SE Water Purification Plant	\$ 5,426,974	\$ 2,378,098	\$ 3,048,876	\$ 235,000	\$ 36,438	11.23
1998 A-B Series South Projects	3,617,916	60,748	3,557,168	2,295,000	571,975	1.24
1998 C Series Texas City Projects	619,949	-	619,949	450,000	169,500	1.00
1998 D La Marque Projects	310,054	-	310,054	195,000	53,050	1.25
2002 Galveston Projects	867,174	3,000	864,174	770,000	91,027	1.00
Texas City Reservoir	11,489,776	9,494,998	1,994,778	950,000	293,100	1.60
Industrial Pump Station	11,141,796	7,496,325	3,645,471	490,000	699,311	3.07
Other Divisions	21,762,675	5,543,665	16,219,010	-	-	
	<u>\$ 55,236,314</u>	<u>\$ 24,976,834</u>	<u>\$ 30,259,480</u>	<u>\$ 5,385,000</u>	<u>\$ 1,914,401</u>	

* Operating expenses do not include depreciation.

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

GULF COAST WATER AUTHORITY
DISTRICT 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 tables below and on the following page portray the population and economic base within GCWA's boundaries.

<u>County/City</u>	<u>Population</u>	<u>2016 Estimate</u>
Fort Bend County	585,375	716,087
Brazoria County	313,166	346,312
Galveston County	291,309	322,225
City of Pearland	91,252	108,821
City of League City	83,560	98,312
City of Sugar Land	78,817	88,156
City of Missouri City	67,358	74,139
City of Galveston	47,743	50,180
City of Texas City	45,099	47,618
City of Dickinson	18,680	19,895

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%	41%
City of Sugar Land	93%	54%
City of Santa Fe	93%	13%
City of Pearland	92%	46%
City of Missouri City	92%	43%
Fort Bend County	89%	42%
Galveston County	87%	28%
Brazoria County	86%	28%
City of La Marque	85%	15%
City of Texas City	82%	13%

Source US Census Bureau, Quick Facts

High school graduate or higher, percent of persons age25+, 2010-2014

Bachelor's degree or higher, percent of persons age25+, 2010-2014

Note: Information not available as of the report date.

GULF COAST WATER AUTHORITY
DISTRICT DEMOGRAPHICS (continued)
(Unaudited)

<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	N/A
City of Galveston	38	UTMB
City of Missouri City	38	Fort Bend ISD
City of Sugar Land	41	Fort Bend ISD

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	\$ 105,400
City of Pearland	94,653
City of League City	90,972
Fort Bend County	86,407
City of Missouri City	84,662
Brazoria County	69,092
City of Dickinson	67,083
Galveston County	61,744
City of Santa Fe	61,552
City of Kemah	59,406

Source US Census Bureau, Quick Facts & Kemah website

<u>County/City</u>	<u>Unemployment Rate</u>
City of Pearland	3.3%
City of Sugar Land	4.6%
City of League City	3.6%
Fort Bend County	4.4%
City of Missouri City	4.4%
Brazoria County	5.4%
Galveston County	4.9%
City of Galveston	6.3%
City of Texas City	6.1%
City of La Marque	5.1%

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	2009	2010	2011	2012
Administrative	8	8	8	9
Industrial	2	2	2	2
Texas City Reservoir				
Texas City Industrial				
Water treatment plant	14	15	13	13
Canal	18	16	19	19
Chocolate Bayou	4	4	4	4
Total	46	45	46	47

Note: This table reports the number of filled, full-time employees positions based on the division in which they are employed. Table does not included 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.

Number of Positions Full-Time Equivalent					
2013	2014	2015	2016	2017	2018
9	10	11	10	10	8
2	2	2	2	1	
					1
					2
14	12	17	19	21	24
20	22	22	26	27	28
4	5	5	4	6	5
49	51	57	61	65	68

GULF COAST WATER AUTHORITY
OPERATING STATISTICS
Last Ten Fiscal Years
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Annual Acre Feet</u>				
Industrial	\$ 82,406	\$ 62,320	\$ 89,713	\$ 65,347
Irrigation	122,979	99,295	119,065	99,019
Municipal	96,226	83,556	73,714	75,787
Total Pumpage	<u>\$ 301,611</u>	<u>\$ 245,171</u>	<u>\$ 282,492</u>	<u>\$ 240,153</u>

Source: Annual Report to Texas Commission on Environmental Quality.

Brazos River Water Rights held by GCWA

<u>Authorized Diversion Points</u>	<u>TCEQ Water Rights Certificate of Adjudication</u>	<u>Diversion Amount Acre Feet per Year</u>	<u>Senior Right Priority Date</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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 61,266	\$ 116,816	\$ 77,032	\$ 77,500	\$ 54,292	\$ 49,935
50,929	23,864	21,091	82,037	46,451	45,136
<u>47,574</u>	<u>29,795</u>	<u>54,648</u>	<u>67,367</u>	<u>43,110</u>	<u>39,517</u>
<u>\$ 159,769</u>	<u>\$ 170,475</u>	<u>\$ 152,771</u>	<u>\$ 226,904</u>	<u>\$ 143,853</u>	<u>\$ 134,588</u>

GULF COAST WATER AUTHORITY
SCHEDULE OF CAPITAL ASSET ADDITIONS
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012
Industrial Division				
Office furniture, fixtures and equipment	\$ -	\$ -	\$ -	\$ 1,036
Other machinery and equipment	721	-	15,644	-
Automobiles and trucks	-	-	21,418	-
Buildings	-	10,619	18,359	43,157
Infrastructure	177,695	109,373	261,585	737,943
Texas City Reservoir Division				
Infrastructure				
Texas City Industrial Division				
Infrastructure				
League City Southeast Division				
Office furniture, fixtures and equipment	16	-	-	46
Other machinery and equipment	-	-	-	-
Automobiles and trucks	-	-	-	-
Buildings	-	-	-	-
Infrastructure	-	-	-	236
Water Treatment Plant				
Land	-	-	-	-
Office furniture, fixtures and equipment	2,964	-	36,202	4,040
Other machinery and equipment	61,936	-	34,132	107,436
Automobiles and trucks	-	-	38,265	-
Buildings	8,198	120,633	379,374	250,527
Infrastructure	994,592	532,987	714,445	684,908
Canal Division				
Land	-	-	3,500	37,182
Office furniture, fixtures and equipment	2,426	-	-	2,802
Other machinery and equipment	380,385	13,829	1,084,011	47,628
Automobiles and trucks	31,207	35,618	126,061	-
Buildings	-	-	-	38,281
Infrastructure	109,976	193,152	881,794	2,979,058
Galveston County WCID #12				
Infrastructure	-	-	-	-
1998 A-B South Projects				
Infrastructure	-	-	-	-

2013	2014	2015	2016	2017	2018
\$ 10,152	\$ 6,159	\$ -	\$ -	\$ -	\$ -
3,128	-	5,758	61,713	-	-
22,636	3,921	-	-	34,302	
132,908	-	-	-	31,139	
3,033,669	4,278,111	4,059,378	1,624,938	7,006,745	
					2,701,916
					6,447,948
416	302	-	-	-	-
128	-	-	-	-	-
140	192	-	-	-	-
1,066	980	-	-	-	-
16,900	2,672,018	76,941	110,591	1,077,525	2,286,456
-	-	-	-	-	-
19,999	121,377	-	38,607	32,228	-
70,529	67,924	15,205	5,159	-	-
6,723	33,445	32,885	33,095	82,347	-
365,709	168,524	65,404	200,519	572,268	-
1,767,842	2,663,309	1,714,354	3,082,780	2,410,859	4,830,763
-	-	-	-	-	-
21,759	23,021	-	-	-	-
576,821	766,934	57,250	332,343	314,979	-
167,857	82,211	209,334	102,464	46,770	-
141,007	286,642	79,435	112,303	28,403	-
2,345,951	1,425,510	762,469	453,388	1,534,180	2,830,294
-	-	-	-	93,269	931,267
-	-	-	269,326	263,881	789,436

GULF COAST WATER AUTHORITY
SCHEDULE OF CAPITAL ASSET ADDITIONS (continued)
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012
1998 C Series Texas City Projects				
Infrastructure	\$ 488,882	\$ 1,252	\$ 358,485	\$ -
2002 Galveston Projects				
Infrastructure	653,352	491,884	683,873	505,472
Chocolate Bayou				
Land	-	-	-	20,975
Office furniture, fixtures and equipment	979	-	-	1,337
Other machinery and equipment	-	-	18,134	14,058
Automobiles and trucks	-	20,010	63,770	-
Buildings	-	-	-	-
Infrastructure	1,352,768	95,670	135,286	837,833
Pearland Southeast Plant				
Office furniture, fixtures and equipment	-	-	-	46
Other machinery and equipment	-	-	-	-
Automobiles and trucks	-	-	-	-
Buildings	-	-	-	-
Infrastructure	-	-	-	236
1997 Galveston Projects				
Office furniture, fixtures and equipment	41	-	-	73
Other machinery and equipment	-	-	-	-
Automobiles and trucks	-	-	-	-
Buildings	-	-	-	-
Infrastructure	-	18,277	31,189	82,739

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,216,421	274,779	-	-	-	-
-	-	-	-	-	-
10,425	6,832	-	-	-	-
3,212	167,071	-	-	-	-
50,000	28,486	-	32,248	33,405	-
26,741	35,772	30,774	273,689	41,972	-
892,215	1,555,893	740,258	734,486	661,001	1,535,450
416	302	-	-	-	-
128	-	-	-	-	-
140	192	-	-	-	-
1,066	980	-	-	-	-
-	-	-	-	-	1,027,515
1,786	418	-	-	-	-
550	-	-	-	-	-
600	266	-	-	-	-
4,582	1,357	-	-	-	-
37,212	39,483	-	42,371	163,512	29,865

GULF COAST WATER AUTHORITY
SCHEDULE OF CAPITAL ASSET ADDITIONS (continued)
Last Ten Fiscal Years
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water Treatment Plant Expansion 2011				
Infrastructure	\$ 17,335	\$ -	\$ -	\$ -
Northline Group				
Infrastructure	-	-	-	-
Bayshore Group				
Infrastructure	-	-	-	-
Administrative				
Office furniture, fixtures and equipment	-	-	-	-
Other machinery and equipment	-	-	-	-
Automobiles and trucks	-	-	-	-
Buildings	-	-	-	-
Infrastructure	-	-	-	-
Total Capital Assets	<u>\$ 4,283,473</u>	<u>\$ 1,643,304</u>	<u>\$ 4,905,527</u>	<u>\$ 6,397,049</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	100,765	13,674	-
-	-	-	12,159	43,354	-
-	-	22,598	7,739	10,128	-
-	-	-	-	-	-
-	-	28,825	31,453	32,869	-
-	-	-	9,299	-	-
-	-	19,160	-	-	1,367,721
<u>\$ 10,950,834</u>	<u>\$ 14,712,411</u>	<u>\$ 7,920,028</u>	<u>\$ 7,671,435</u>	<u>\$ 14,528,810</u>	<u>\$ 24,778,631</u>