



Comprehensive Annual Financial Report For the Year Ended August 31, 2019

Gulf Coast Water Authority * Texas City, Texas

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
August 31, 2019**

Gulf Coast Water Authority

Texas City, Texas

Prepared by:

**Brandon Wade, MPA, PE
General Manager / CEO**

**David E. Davis Jr. CPA
Assistant General Manager**



Gulf Coast Water Authority

GULF COAST WATER AUTHORITY
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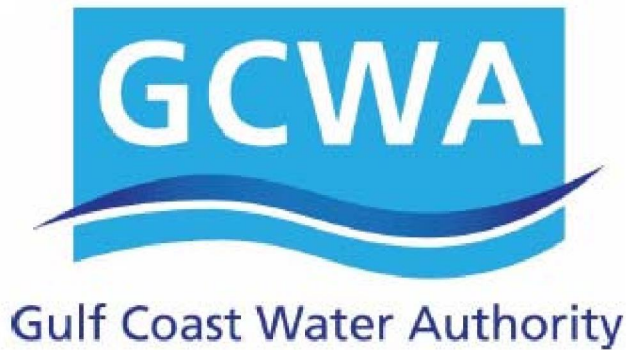


Gulf Coast Water Authority

INTRODUCTORY SECTION



Gulf Coast Water Authority



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February 10, 2020

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, 2019. 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, 2019. 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.

The beginnings of the Authority can be traced 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 most 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. The terms are staggered with five (5) members beginning one year and five (5) beginning 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 primary water delivery and revenue sources as described below.

Canal Systems - The Authority operates three main canal systems: the American, Briscoe, and Juliff/Chocolate Bayou Canal systems. This includes approximately 400 miles of main-line canals and laterals, and about 380,000 ac-ft. of water rights on the lower basin of the Brazos River. These arteries allow river water to be 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 Group - 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 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

The Local & Regional Economy. According to Gulf Coast Economic Development District the counties that GCWA serve have grown by the following amounts from 2000 to 2010: Brazoria County 30%, Galveston County 16%, and Fort Bend County 65%. Based on other supporting information the growth rates projected since 2010 are equivalent or greater to these growth rates.

GCWA's strategic plan is developed to support this growth through capital investment while focusing on rate stabilization. The development of water resources for the region and sustainability of those resource during time of drought continue to be primary focus of the Authority.

GCWA's Revenue Source

The Authority does not receive money from the State of Texas, nor does it collect any type of tax revenue. Revenue is 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 AND RECOVERY

The recognition of risks from the drought that began in 2009 and ended in 2015 changed the fundamental thinking of the overall community regarding water availability. The Authority set policies during 2019 that all water contracted for sale by the Authority would be backed up by water resources to a minimum of 30% of the contracted value.

The Brazos River Authority, Texas Commission on Environmental Quality and the Authority significantly increased our collective knowledge and best practices as they relate to water management. We are working closely together to prepare for the management of low water levels. The Brazos River Authority is working to insure a 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. The Brazos River Authority has agreed to sell the Authority and additional 36,362.

The drought ended with the rainfalls that began in late April 2015. According to the National Center of Environmental Information (formerly the National Climate Data Center), the 2015 precipitation totals for the contiguous U.S. was the third wettest year on record, with only 1973 and 1983 recording more precipitation. The latest published information from the National Weather Service Climate Prediction Center (November 2017) gives an early indication of returning drought conditions for much of Texas. According to the National Centers for Environmental Information, globally 2017 is the third warmest year on record going back over the last 138 years. This adds confirmation that the Authority must continue to seek additional firm water supplies to insure against the next drought.

The Authority has undertaken multiple studies over the past six 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.

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 generally accepted accounting principles. 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

Major initiative of the Texas City Industrial Division is the replacement of the Texas City Industrial Pump Station that will bear the name, “Joseph A. Wilhelm Industrial Pump Station” at a cost of \$19,702,911.00 (Mr. Wilhelm being the first full-time General Manager of the Authority.)

Major initiatives at the Water Treatment Plant included the Projects were design of the high service pump station \$269,420, improvements to the Clarifiers (sludge level sensors, valve actuators, level sensors, etc.) \$188,935.58

Major initiative at the Canal Division was the purchase of a short boom excavator \$245,950.39 and replacement of underdrain number six on the Briscoe canal \$157,644.00.

Major initiatives at the Chocolate Bayou section of the Canal Division included continued work with the US Army Corps of Engineers and the Authority’s engineering design consultants on improvements to Chocolate Bayou Salt Water Barrier at a cost of \$800,000-, continued work on the William J May Plant #2 Steel Support Structure project at a cost of \$274,300 and Chocolate Bayou Pump Station, which is a 60 + year old pump station built on wooden pilings on the edge of Chocolate Bayou in Brazoria County. The wooden pilings are well past their life expectancy with many showing considerable signs of deterioration. The new pump station will be built adjacent to the old station sized to meet the demands of industry and farmers alike and the estimated cost is \$8,158,200.

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. Successful efforts have been made in acquiring, abet short-term, from other BRA customers including the City of Rosenberg, and NRG. While the multi-year drought ended in May 2015, the Authority learned from that experience that alternative water supplies are needed to avoid future water shortages.

ACKNOWLEDGEMENTS

Independent Audit. Section 49.191 of the Texas Water Code requires an annual audit of the Authority’s accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Whitley Penn, LLP, was selected by the Board for the 2019 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, 2018. 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 12 consecutive months with zero incidents.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon Wade', with a stylized, flowing script.

Brandon Wade, MPA, PE
General Manager / CEO

A handwritten signature in black ink, appearing to read 'David E. Davis Jr.', with a stylized, flowing script.

David E. Davis Jr. CPA
Assistant General Manager



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

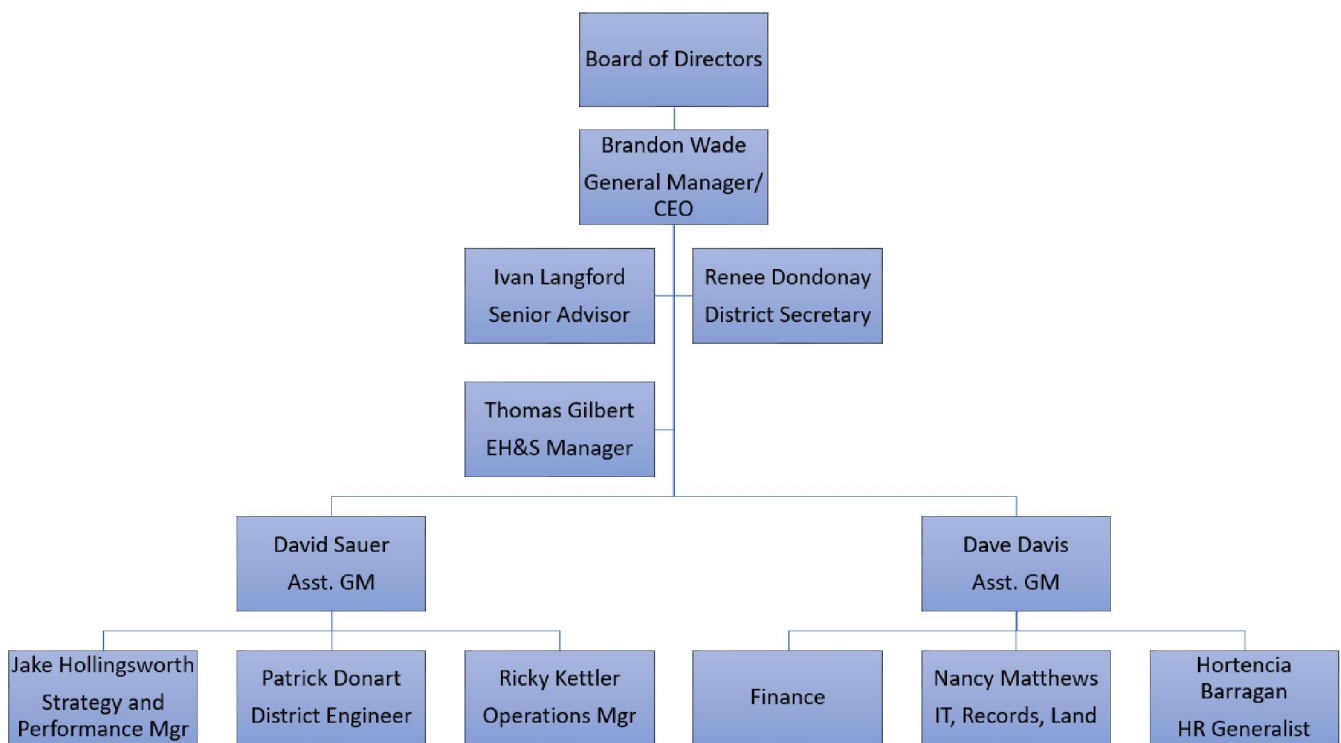
August 31, 2018

Christopher P. Morill

Executive Director/CEO

GULF COAST WATER AUTHORITY

Organizational Chart



GULF COAST WATER AUTHORITY

Board of Directors

As of August 31, 2019

POSITION & NAME	TITLE	TERM
FORT BEND COUNTY MUNICIPAL POSITION NO. 1 Mr. Russell C. Jones	President	2017-2019
GALVESTON COUNTY AT LARGE POSITION NO. 2 Mr. Brad Matlock, P.E.	Vice President	2018-2020
BRAZORIA COUNTY INDUSTRIAL POSITION NO. 1 Mr. Bennie Jones Jr.	Treasurer	2018-2020
BRAZORIA COUNTY MUNICIPAL POSITION NO. 1 Mr. Eric Wilson	Secretary	2017-2019
GALVESTON COUNTY MUNICIPAL POSITION NO. 1 Mr. James McWhorter, P.E.	Assistant Secretary	2017-2019
FORT BEND COUNTY AT LARGE POSITION NO. 1 Ms. Trisha Frederick, P.E.	Director	2019-2020
GALVESTON COUNTY AT LARGE POSITION NO. 1 Mr. Shane Hamilton	Director	2017-2019
GALVESTON COUNTY INDUSTRIAL POSITION NO.1 Mrs. Virginia M. King	Director	2018-2019
BRAZORIA COUNTY AGRICULTURAL POSITION NO. 1 Mr. Cliff Mock	Director	2018-2020
GALVESTON COUNTY INDUSTRIAL POSITION NO. 2 Mr. Kevin D. Moore	Director	2018-2020

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, 2019, 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.

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, 2019, 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 3 through 7 and the required other pension and other post-employment benefit system supplementary information on pages 36 through 39 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
February 10, 2020

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, 2019. 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 \$149,842,265. Of this amount, \$82,173,347 represents net investment in capital assets; \$8,123,274 is restricted net position and the remaining \$59,545,644 represents unrestricted net position.
- The Authority's total net position increased by \$14,343,762 before the effect of a prior period adjustment. Net position at the end of the prior year was \$154,750,903, which was decreased by a prior period adjustment in the amount of \$19,252,400, resulting in an ending net position of \$149,842,265 at August 31, 2019.
- Operating expenses for the Authority were \$40,773,331 and were less than operating revenues of \$52,263,789 by \$11,490,458. Non-operating revenues for the Authority exceeded non-operating expenses by \$2,853,304.

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 \$149,842,265 at the close of the most recent fiscal year.

Net Position (with comparative totals for August 31, 2018)

	2019	2018 (Restated)	Increase / (Decrease)	
			\$	%
Current and other assets	\$ 78,988,966	\$ 76,869,887	\$ 2,119,079	2.8%
Capital assets	115,269,479	110,756,735	4,512,744	4.1%
Noncurrent assets	-	777,831	(777,831)	
Total assets	194,258,445	188,404,453	5,853,992	3.1%
Total deferred outflows of resources	2,015,587	589,881	1,425,706	241.7%
Current liabilities	11,400,596	14,351,680	(2,951,084)	-20.6%
Noncurrent liabilities	34,598,957	38,317,882	(3,718,925)	-9.7%
Total liabilities	45,999,553	52,669,562	(6,670,009)	-12.7%
Total deferred inflows of resources	432,214	826,269	(394,055)	-47.7%
Net Position:				
Net Investment in capital assets	82,173,347	79,121,673	3,051,674	3.9%
Restricted:				
Debt Service	5,473,274	5,608,342	(135,068)	-2.4%
Construction	2,650,000	-	2,650,000	
Unrestricted	59,545,644	50,768,488	8,777,156	17.3%
Total Net Position	\$ 149,842,265	\$ 135,498,503	\$ 14,343,762	10.6%

- Capital assets, net of depreciation increased by approximately \$4.5 million, or 4.1%, from the prior year due to the prior period adjustment, which revised the depreciation method of certain classes of assets, and \$11.7 million in disposals. Depreciable capital assets increased by \$11.8 million due to completed projects being transferred from construction in progress. Construction in progress decreased by \$7.7 million from the prior year.
- Current liabilities decreased by \$3.0 million or 20.6% due to the monetary size of ongoing projects at August 31, 2019.
- Noncurrent liabilities decreased by approximately \$3.7 million, or 9.7%, from the prior year due to a decrease of outstanding bonds and related premiums of \$6.0 million, along with an increase in the net pension liability of \$3.3 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.

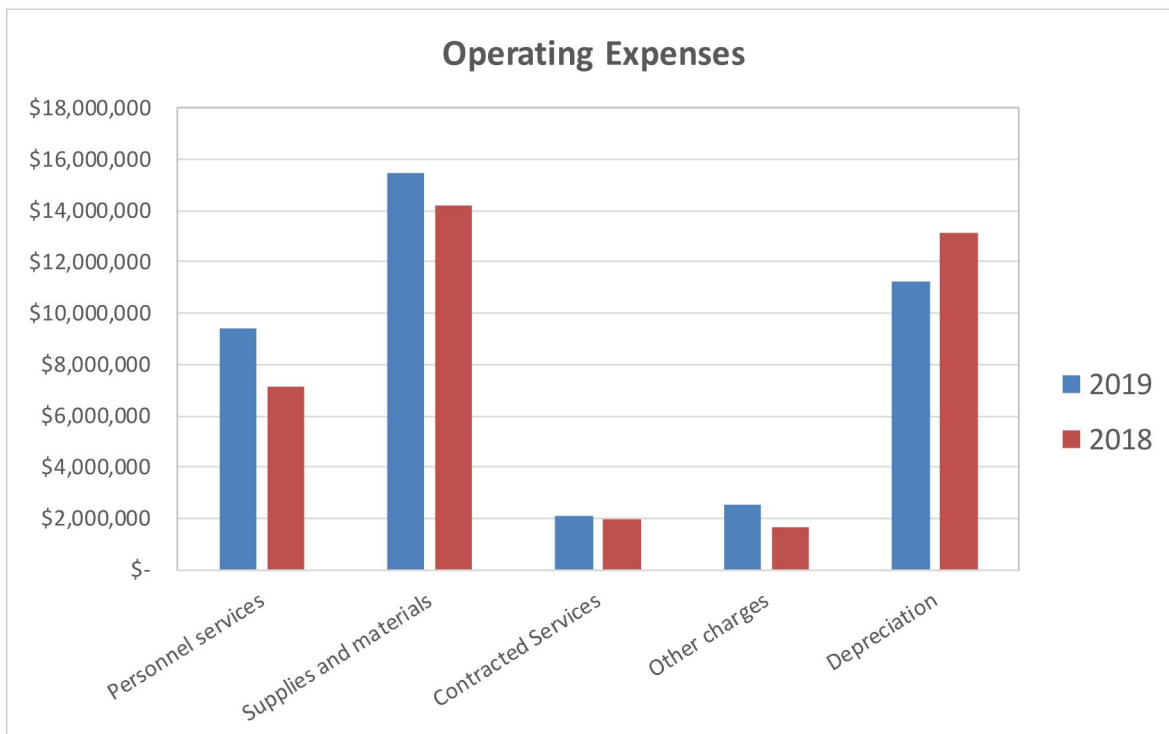
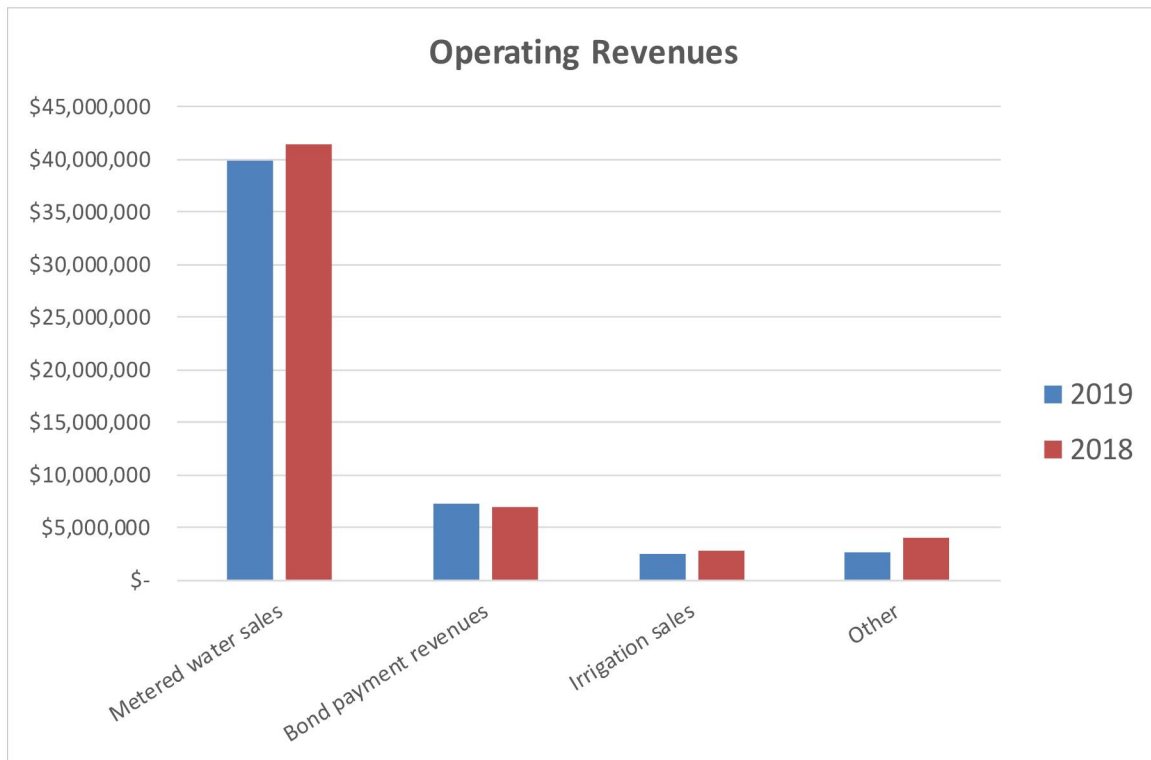
Changes in Net Position- Year Ended August 31, 2019
(With comparative totals for year ended August 31, 2018)

	2019	2018	Increase / (Decrease)	
			\$	%
Operating Revenues:				
Program revenues				
Metered water sales	\$ 39,863,810	\$ 41,417,047	\$ (1,553,237)	-3.8%
Bond payment revenue	7,335,248	6,963,593	371,655	5.3%
Irrigation sales	2,474,155	2,821,778	(347,623)	-12.3%
Other	2,590,576	4,033,896	(1,443,320)	-35.8%
Total operating revenues	52,263,789	55,236,314	(2,972,525)	-5.4%
Expenses:				
Personnel services	9,421,184	7,147,241	2,273,943	31.8%
Supplies and materials	15,456,251	14,221,102	1,235,149	8.7%
Contracted services	2,099,216	1,945,927	153,289	7.9%
Other charges	2,537,911	1,662,564	875,347	52.7%
Depreciation	11,258,769	13,135,192	(1,876,423)	-14.3%
Total expenses	40,773,331	38,112,026	2,661,305	7.0%
Operating income (loss)	11,490,458	17,124,288	(5,633,830)	
Non-operating revenues (expenses)	2,853,304	(624,804)	3,478,108	-556.7%
Change in Net Position	14,343,762	16,499,484	(2,155,722)	-13.1%
Net Position, beginning	154,750,903	138,386,189	16,364,714	11.8%
Prior period adjustment	(19,252,400)	(134,770)	(19,117,630)	
Net Position, ending	\$ 149,842,265	\$ 154,750,903	\$ (4,908,638)	-3.2%

- Metered water sales increased by approximately \$1.6 million or 3.8%, due to 2018 having unusually large recharge costs from the City of Houston related to “true-up” capital expenses from the SEWPP.
- Other revenues decreased by approximately \$1.4 million due to reimbursable costs from the Texas Department of Transportation for projects completed by the Authority.
- Personnel services increased by approximately \$2.3 million due to an increase in pension expense adjustment for costs related to the net pension liability (asset).
- Supplies and materials increased by approximately \$1.2 million due to a larger approved operating budget.
- Depreciation expense decreased by approximately \$1.9 million or 14.3%, due to an overall review of the Authority’s capitalization, useful lives, and depreciation methods to develop consistency between funds.

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 \$115,269,479 as of August 31, 2019. 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 \$4.5, or 4.1%.

	2019	2018 (Restated)	Increase/(Decrease)	
			\$	%
Land	\$ 1,959,587	\$ 1,959,587	\$ -	
Construction in progress	28,006,176	35,733,002	(7,726,826)	-21.6%
Infrastructure	270,582,683	256,976,155	13,606,528	5.3%
Buildings	3,950,376	4,469,227	(518,851)	-11.6%
Plant and equipment	7,854,177	9,091,889	(1,237,712)	-13.6%
Less accumulated depreciation	(197,083,520)	(197,473,125)	389,605	-0.2%
Total	\$ 115,269,479	\$ 110,756,735	\$ 4,512,744	4.1%

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

LONG-TERM DEBT

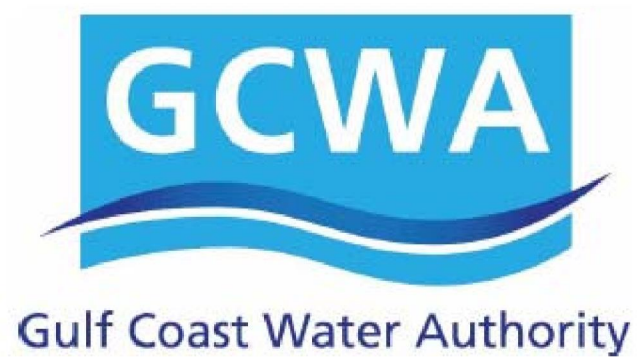
At the end of the current fiscal year, the Authority had long-term debt outstanding of \$37.2 million. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	2019	2018	Increase/(Decrease)	
			\$	%
Revenue bonds	\$ 36,618,000	\$42,398,000	\$ (5,780,000)	-13.6%
Bond premiums	535,318	716,284	(180,966)	-25.3%
Totals	\$ 37,153,318	\$43,114,284	\$ (5,960,966)	-13.8%

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, 2019

Assets

Current Assets:

Cash and cash equivalents	\$ 467,178
Investments	55,768,301
Accounts receivable	9,488,175
Interest receivable	61,744
Prepaid items	853,290
Restricted:	
Investments	12,350,278

Total current assets 78,988,966

Noncurrent Assets:

Capital assets, not subject to depreciation	29,965,763
Capital assets, net of accumulated depreciation	85,303,716

Total noncurrent assets 115,269,479

Total assets 194,258,445

Deferred Outflows of Resources

Deferred loss on refunding	70,881
Deferred outflows for pension	1,924,354
Deferred outflows for OPEB activity	20,352

Total deferred outflows of resources 2,015,587

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	4,796,216
Accrued wages payable	149,529
Current portion of bonds payable	6,020,000
Accrued interest payable	56,987
Current portion of compensated absences	377,864

Total current liabilities 11,400,596

Noncurrent liabilities:

Revenue bonds payable (net of premiums and discounts)	31,133,318
Compensated absences (less current portion)	755,728
Net pension liability	2,570,511
Total OPEB liability	139,400

Total noncurrent liabilities 34,598,957

Total liabilities 45,999,553

Deferred Inflows of Resources

Deferred gain on refunding	183,712
Deferred inflows for pension	233,225
Deferred inflows for OPEB activity	15,277

Total Deferred Inflows of Resources 432,214

Net Position

Net investment in capital assets	82,173,347
Restricted for:	
Debt service	5,473,274
Construction	2,650,000
Unrestricted	59,545,644

Total Net Position \$ 149,842,265

GULF COAST WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended August 31, 2019

Operating revenues

Charges for sales and services:

Metered Water Sales	\$ 39,863,810
Bond Payment Revenue	7,335,248
Irrigation	2,474,155
Other	<u>2,590,576</u>

Total operating revenues 52,263,789

Operating expenses

Personnel services	9,421,184
Supplies and materials	15,456,251
Contractual services	2,099,216
Other charges	2,537,911
Depreciation	<u>11,258,769</u>

Total operating expenses 40,773,331

Operating income (loss) 11,490,458

Non-operating revenues (expenses)

Investment income (loss)	1,595,974
Interest expense	(1,589,504)
Amortization of deferred charges and premium	196,834
Capital Contribution	<u>2,650,000</u>

Total non-operating revenues (expenses) 2,853,304

Changes in Net Position 14,343,762

Beginning Net Position 154,750,903

Prior Period Adjustment (19,252,400)

Ending Net Position \$ 149,842,265

GULF COAST WATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2019

Page 1 of 2

Cash Flows from Operating Activities

Receipts from customers	\$ 54,232,674
Payments to suppliers	(24,752,475)
Payments to employees	(6,521,475)
Net cash provided (used) by operating activities	<u>22,958,724</u>

Cash Flows from Capital and Related

Financing Activities

Acquisition and construction of capital assets	(15,851,122)
Principal paid on bonds	(5,780,000)
Interest paid on capital related debt	(1,621,912)
Capital contributions received from participants	2,650,000
Net cash provided (used) by capital and related financing activities	<u>(20,603,034)</u>

Cash Flows from Investing Activities

Purchase of investments	(4,241,328)
Interest received	1,684,588
Net cash provided (used) by investing activities	<u>(2,556,740)</u>

**Net increase (decrease) in cash
and cash equivalents**

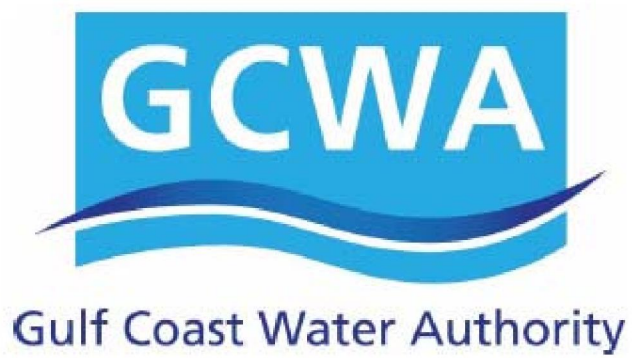
	(201,050)
Beginning cash and cash equivalents	668,228
Ending cash and cash equivalents	<u>\$ 467,178</u>

GULF COAST WATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2019

Page 2 of 2

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

Operating income (loss)	\$ 11,490,458
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,258,769
Changes in Operating Assets and Liabilities	
(Increase) decrease in assets:	
Accounts receivable	1,968,885
Prepays	(56,691)
Deferred outflows for pensions	(1,438,730)
Deferred outflows for OPEB	(10,608)
Increase (decrease) in liabilities:	
Accounts payable	(3,173,758)
Wages payable	36,163
Compensated absences payable	(128,493)
Deferred inflows for pensions	(345,450)
Deferred inflows for OPEB	12,645
Total OPEB liability	(2,808)
Net pension liability	3,348,342
Net cash provided (used) by operating activities	\$ 22,958,724



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.

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.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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, and money market accounts.

D. Accounts Receivable

Accounts receivable consist of balances due from customers of the various activities of the Authority. An allowance for doubtful accounts is established when necessary 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, 2019, 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:

Asset Class	Useful Life
Automobiles and Light Weight Trailers	5 Years
Heavy Equipment, SCADA System, Pumps, and Other Equipment	10 Years
Variable Frequency Drives and Water Meters	15 Years
Bridges, Pressure Reduction Stations, and Elevated Storage Tanks	20 Years
Booster Pump Stations, Check Structures, Clarifiers, and Underdrains	25 Years
Buildings, Pump Stations, Surface Tanks, Siphons, and Water Treatment Plants	30 Years

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 seven 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 February 10, 2020, 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, 2019 is as 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	\$ 13,493,383	\$ -	\$ (525,393)	\$ 12,967,990
Thomas Mackey Water Treatment Plant	10,876,836	-	-	10,876,836
Canal Division	11,662,254	-	-	11,662,254
Galveston County WCID #12	1,076,000	-	(1,320,000)	(244,000)
1997 Galveston Projects	1,082,466	-	-	1,082,466
1998 A-B Series South Projects	5,430,027	-	(8,322,790)	(2,892,763)
1998 C Series Texas City Projects	2,183,566	-	(2,638,674)	(455,108)
1998 D Series La Marque Projects	410,793	-	(752,173)	(341,380)
2002 Series Galveston Projects	3,755,158	-	(1,887,119)	1,868,039
Juliff Chocolate Bayou Operations	6,306,068	430,789	-	6,736,857
Pearland SE Water Purification Plant	17,054,193	-	-	17,054,193
Northline Group	90,532	-	-	90,532
Bayshore Group	36,196	-	-	36,196
Texas City Reservoir	16,563,649	875,742	(8,825,000)	8,614,391
Industrial Pump Station	25,152,253	2,863,486	(12,995,000)	15,020,739
Administrative Operations	96,105	-	-	96,105
	<u>\$ 115,269,479</u>	<u>\$ 4,170,017</u>	<u>\$ (37,266,149)</u>	<u>\$ 82,173,347</u>

* Includes premium and deferred gains/losses on refunding

A summary of net position restricted for debt service as of August 31, 2019 is as follows:

	Restricted Investments for Debt Service	Liabilities Payable from Restricted Investments for Debt Service	Total
League City SE Water Purification Plant	\$ 289,174	\$ (850)	\$ 288,324
Galveston County WCID #12	263,159	(1,953)	261,206
1998 A-B South Projects	2,480,897	(15,174)	2,465,723
1998 C Series Texas City Projects	606,303	(5,135)	601,168
1998 D Series La Marque Projects	228,975	(1,469)	227,506
2002 Galveston Projects	18,745	(1,852)	16,893
Texas City Reservoir	142,026	(10,033)	131,993
Industrial Pump Station	1,500,982	(20,521)	1,480,461
Total	<u>\$ 5,530,261</u>	<u>\$ (56,987)</u>	<u>\$ 5,473,274</u>

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

M. Net Position (continued)

A summary of investments restricted by category as of August 31, 2019 is as follows:

Restricted Investments	Amount
Unspent Bond Proceeds	\$ 4,170,017
Debt Service	5,530,261
Construction	2,650,000
	<u>\$ 12,350,278</u>

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. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Authority determined that this statement had no impact on fiscal year 2019 operations.

GASB Statement No. 88, *Certain Disclosures Related to Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The Authority determined that this statement had no impact on fiscal year 2019 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 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.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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

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, 2019, 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, 2019, 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.

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

Investment Type	Fair Value	Percentage of Portfolio	Weighted Average Maturity (Days)
TexPool	\$ 33,037,938	48.5%	30
FFCB	4,348,058	6.4%	463
FHLB	2,450,629	3.6%	522
Commercial Paper	28,281,954	41.5%	97
Totals	<u>\$ 68,118,579</u>	<u>100%</u>	103

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Capital Assets

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

	Beginning Balance (Restated)	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,959,587	\$ -	\$ -	\$ -	\$ 1,959,587
Construction in progress	35,733,002	15,583,711	-	(23,310,537)	28,006,176
Total capital assets not being depreciated	37,692,589	15,583,711	-	(23,310,537)	29,965,763
Capital assets being depreciated:					
Office furniture, fixtures and equipment	596,215	-	(364,315)	-	231,900
Other machinery and equipment	6,750,478	-	(1,306,926)	386,343	5,829,895
Automobiles and trucks	1,745,196	-	(149,508)	196,694	1,792,382
Buildings	4,469,227	-	(771,164)	252,313	3,950,376
Infrastructure	256,976,155	214,613	(9,083,272)	22,475,187	270,582,683
Total capital assets being depreciated	270,537,271	214,613	(11,675,185)	23,310,537	282,387,236
Less accumulated depreciation for:					
Office furniture, fixtures and equipment	(534,889)	(47,002)	364,315	-	(217,576)
Other machinery and equipment	(4,659,146)	(589,509)	1,306,926	-	(3,941,729)
Automobiles and trucks	(1,163,524)	(182,604)	149,509	-	(1,196,619)
Buildings	(3,364,382)	(696,845)	746,287	-	(3,314,940)
Infrastructure	(187,751,184)	(9,742,809)	9,081,337	-	(188,412,656)
Total accumulated depreciation	(197,473,125)	(11,258,769)	11,648,374	-	(197,083,520)
Total capital assets being depreciated, net	73,064,146	(11,044,156)	(26,811)	23,310,537	85,303,716
Total Capital Assets, net	\$ 110,756,735	\$ 4,539,555	\$ (26,811)	\$ -	\$ 115,269,479

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, 2019, are as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
TM WATER TREATMENT PLANT			
WTP: Primary Duct Bank	\$ 1,000,000	\$ 75,610	\$ 924,390
Electrical Line Damage	551,931	30,043	521,888
High Service Pump Station	500,000	395,349	104,651
Projects under \$500,000	1,294,054	613,702	680,352
TOTAL	3,345,985	1,114,703	2,231,282
CANAL DIVISION			
Shannon Plant	11,088,000	121,378	10,966,622
TXDOT I-45 @ G-Canal	2,607,641	2,529,621	78,020
Site 17: T Intersection Canal Bank Hardening	1,144,330	1,010	1,143,320
Levee Improvements Upstream of 2403	1,071,495	9,505	1,061,990
Briscoe Plant Riverbank Stabilization	1,049,974	89,554	960,420
Second Lift: Canal Bank Hardening	731,641	646	730,995
A-17 Check: Canal Bank Hardening	616,321	544	615,777
Oil Field Check: Canal Bank Hardening	535,460	472	534,988
Shannon River Bank Rehab	500,000	2,243	497,758
Projects under \$500,000	4,205,177	730,637	3,474,540
TOTAL	23,550,039	3,485,609	20,064,429
GALVESTON COUNTY WCID #12			
Customer Takepoint: Kemah	25,000	12,730	12,270
TOTAL	25,000	12,730	12,270
GALVESTON 97 BONDS			
Virginia Pt Pressure Reducing Station	1,090,000	807,916	282,084
Galveston Causeway Line Rehabilitation	100,000	59,290	40,710
TOTAL	1,190,000	867,207	322,793
1998 A-B SERIES PROJECTS			
42" Relocation SH3	125,000	84,565	40,435
TOTAL	125,000	84,565	40,435
CHOCOLATE BAYOU DIVISION			
CB Pump Station Replacement	8,158,186	982,011	7,176,175
WJM Plant #1: PS & Riverbank Rehab	2,600,558	66,910	2,533,648
Saltwater Barrier Improvements	2,000,000	696,050	1,303,950
WJM Plant #2: Support Structure Refurb	759,666	715,806	43,860
CB Check 6	526,948	465	526,483
Projects under \$500,000	399,259	157,341	241,918
TOTAL	14,444,616	2,618,583	11,826,034
NORTHLINE GROUP			
Humble Camp PRV	80,000	10,125	69,875
TOTAL	80,000	10,125	69,875
TEXAS CITY RESERVOIR (TCR)			
TC Reservoir East Levee	1,343,000	1,248,803	94,197
Projects under \$500,000	55,000	33,450	21,550
TOTAL	1,398,000	1,282,253	115,747
TEXAS CITY INDUSTRIAL (IPS)			
IPS Replacement Pump Station	18,135,000	17,860,098	274,902
Projects under \$500,000	1,140,500	670,303	470,197
TOTAL	19,275,500	18,530,401	745,099
TOTAL - Construction in Progress	\$ 63,434,140	\$ 28,006,176	\$ 35,427,964

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, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Bonds Payable:						
Revenue bonds	\$ 42,398,000	\$ -	\$ (5,780,000)	\$ 36,618,000	\$ 6,020,000	\$30,598,000
Bond premiums	716,284	-	(180,966)	535,318	-	535,318
Total bonds payable	43,114,284	-	(5,960,966)	37,153,318	6,020,000	31,133,318
Compensated absences	1,262,085	239,729	(368,222)	1,133,592	377,864	755,728
Long term liabilities	\$ 44,376,369	\$ 239,729	\$ (6,329,188)	\$ 38,286,910	\$ 6,397,864	\$31,889,046

Revenue bond long-term activity for the year ended August 31, 2019, is as follows:

	Balances at September 01, 2018	Additions	Deductions	Balances at August 31, 2019	Due Within One Year
Industrial Division					
Contract Revenue Bonds:					
Series 2016 A	\$ 4,435,000	\$ -	\$ (450,000)	\$ 3,985,000	\$ 460,000
Series 2016 B	5,365,000	-	(525,000)	4,840,000	540,000
Series 2017	13,645,000	-	(650,000)	12,995,000	680,000
Series 2018	1,390,000	-	(70,000)	1,320,000	75,000
Total Industrial Division	24,835,000	-	(1,695,000)	23,140,000	1,755,000
League City Southeast Division					
Contract Revenue Bonds:					
Series 2011 F	750,000	-	(240,000)	510,000	250,000
Total League City Southeast Division	750,000	-	(240,000)	510,000	250,000
1998 A-B South Projects					
Contract Revenue Bonds:					
Series 2011 A	8,850,000	-	(2,060,000)	6,790,000	2,165,000
Series 2011 B	1,375,000	-	(325,000)	1,050,000	335,000
Total 1998 A-B South Projects	10,225,000	-	(2,385,000)	7,840,000	2,500,000
1998 C Series Texas City Projects					
Contract Revenue Bonds:					
Series 2011 C	2,940,000	-	(475,000)	2,465,000	500,000
Total 1998 C Series Texas City Projects	2,940,000	-	(475,000)	2,465,000	500,000
2002 Galveston Projects					
Contract Revenue Bonds:					
Series 2012	2,743,000	-	(785,000)	1,958,000	800,000
Total Galveston Projects	2,743,000	-	(785,000)	1,958,000	800,000
1998 D Series La Marque Projects					
Contract Revenue Bonds:					
Series 2011 D	905,000	-	(200,000)	705,000	215,000
Total 1998 D Series La Marque Projects	905,000	-	(200,000)	705,000	215,000
Total Bonds Payable	\$ 42,398,000	\$ -	\$ (5,780,000)	\$ 36,618,000	\$ 6,020,000

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:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,990,000	546,675	2,536,675
2025-2029	9,825,000	1,748,281	11,573,281
2030-2033	3,970,000	241,743	4,211,743
Total	\$ 36,618,000	\$ 6,583,849	\$ 43,201,849

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. The annual accrual limit for each employee is dependent on their years of service and ranges from 80 hours accrued per year for employees with less than 5 years' experience to a maximum of 240 hours accrued per year for employees with more than 30 years' experience. At August 31, 2019, accrued compensated absences are \$1,133,592.

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Number of inactive employees entitled to but not yet receiving benefits	41
Number of active employees	73
Number of inactive employees receiving benefits	37

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, 2018, 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, 2018 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)

Valuation date	December 31, 2018
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14.8 years
Asset valuation method	5-year smoothed market
Inflation rate	2.75%
Salary increases	Varies by age and service; 4.9% average over career including inflation.
Investment rate of return	8.0%
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality rate	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

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	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
Total Assets	100.00%	5.90%

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, 2017	\$ 23,494,228	\$ 24,272,059	\$ (777,831)
Changes for the Year			
Service cost	570,662	-	570,662
Interest on total pension liability	1,906,466	-	1,906,466
Effect of plan changes	1,162,542	-	1,162,542
Effect of economic/demographic gains or losses	14,528	-	14,528
Refund of contributions	(41,552)	(41,552)	-
Benefit payments	(1,035,984)	(1,035,984)	-
Administrative expenses	-	(18,876)	18,876
Member contributions	-	351,296	(351,296)
Net investment income	-	(455,435)	455,435
Employer contributions	-	435,105	(435,105)
Other	-	(6,234)	6,234
Balances as of December 31, 2018	<u>\$ 26,070,890</u>	<u>\$ 23,500,379</u>	<u>\$ 2,570,511</u>

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	\$ 29,069,940	\$ 26,070,890	\$ 23,506,388
Fiduciary net position	23,500,379	23,500,379	23,500,379
	<u>\$ 5,569,561</u>	<u>\$ 2,570,511</u>	<u>\$ 6,009</u>

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

For the year ended August 31, 2019, the Authority recognized pension expense of \$2,041,488.

As of August 31, 2019, 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	\$ 37,317	\$ 231,791
Changes in assumptions	29,085	1,434
Net difference between projected and actual earnings	1,521,582	-
Contributions made subsequent to the measurement date	336,370	-
	<u>\$ 1,924,354</u>	<u>\$ 233,225</u>

The \$336,370 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, 2020.

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
2020	\$ (523,568)
2021	(127,192)
2022	(211,426)
2023	(490,150)
2024	(2,423)
	<u>\$ (1,354,759)</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 TCERS 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 TCERS 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 TCERS 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

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Number of inactive employees entitled to but not yet receiving benefits	16
Number of active employees	73
Number of inactive employees receiving benefits	31

"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 0.12% for the 2018 and 2019 plan (calendar) years.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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

Contributions (continued)

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, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation date	December 31, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Straight line amortization over expected working life
Actuarial assumptions:	
Investment rate of return	4.1%; 20 year Bond GO Index published by bondbuyer.com as of December 27, 2018
Disability	Custom table based on TCDRS experience
Mortality - depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Retirement	Custom table based on TCDRS experience
Other Termination of Employment	Custom table based on TCDRS experience

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 4.1% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2017	\$ 142,208
Changes for the Year	
Service cost	5,435
Interest on total pension liability	4,976
Effect of economic/demographic experience	8,066
Effect of assumptions changes or inputs	(15,263)
Benefit payments	(6,022)
Balances as of December 31, 2018	<u>\$ 139,400</u>

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.10%, 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 (3.10%) or 1 percentage point higher (5.10%) 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 <u>3.10%</u>	Discount Rate <u>4.10%</u>	1% Increase in Discount Rate <u>5.10%</u>
Total OPEB liability	\$ 163,555	\$ 139,400	\$ 120,409

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

For the year ended August 31, 2019, the Authority recognized OPEB expense of \$9,890.

As of August 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 6,914	\$ 2,194
Changes in assumptions	4,727	13,083
Contributions made subsequent to the measurement date	8,711	-
	<u>\$ 20,352</u>	<u>\$ 15,277</u>

The \$8,711 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, 2020.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)

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
2020	\$ 521
2021	521
2022	521
2023	521
2024	523
2025	1,029
	<u>\$ 3,636</u>

Note 8 - Long-Term Contracts

Customer Contracts

The Authority 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.

Cost Sharing Water Project with City of Houston

The 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.

Brooks Lake Diversion Weir Agreement with City of Sugar Land

The 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.

Chocolate Bayou Pump Station with INEOS Olefins & Polymers USA

During fiscal year 2019, the Authority entered into a long-term agreement with INEOS Olefins & Polymers USA ("INEOS") to design, construct, and acquire a new Chocolate Bayou Pump Station and ancillary improvements. The estimate for the total cost of the project was \$7.89 million. INEOS agreed to make a capital contribution in a total amount of \$4,790,000 for the project to be paid in two installments. The remaining amount of approximately \$3.10 million will be paid by GCWA. INEOS paid the first installment to GCWA in August 2019 in the amount of \$2.65 million and the second installment will be paid prior to February 28, 2020.

GULF COAST WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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, 2019, were \$195,626.

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.

At August 31, 2019, 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 reviewed their depreciation methods being used for primarily infrastructure assets and changed the method used from a reverse sum of years digits method to a more conventional straightline depreciation method. The effect on accumulated depreciation amounts as of August 31, 2018 due to the change in accounting principles is as follows:

Beginning Net Position	\$ 154,750,903
Restatement due to:	
Change in Accounting Principles	(19,252,400)
Beginning Net Position - As Restated	<u>\$ 135,498,503</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 Five Measurement Years Ended December 31

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 570,662	\$ 525,024	\$ 521,896	\$ 446,105	\$ 424,292
Interest on total pension liability	1,906,466	1,793,234	1,705,631	1,600,213	1,451,551
Effect of plan changes	1,162,542	-	-	(50,096)	-
Effect of economic/demographic gains or losses	14,528	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	(41,552)	(29,821)	(39,657)	(52,491)	-
Benefit payments/refunds of contributions	(1,035,984)	(898,838)	(781,376)	(637,742)	(526,744)
Net change in total pension liability	2,576,662	1,425,266	865,132	1,375,166	1,858,056
Total pension liability, beginning	23,494,228	22,068,962	21,203,830	19,828,664	17,970,608
Total pension liability, ending (a)	<u>\$ 26,070,890</u>	<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	\$ 435,105	\$ 406,156	\$ 374,433	\$ 332,112	\$ 550,788
Member contributions	351,296	327,923	302,310	268,141	242,851
Investment income net of investment expenses	(455,435)	3,116,068	1,511,562	(222,362)	1,283,888
Benefit payments	(1,035,984)	(898,838)	(781,376)	(637,742)	(526,744)
Refunds of contributions	(41,552)	(29,821)	(39,657)	(52,491)	-
Administrative expenses	(18,876)	(16,142)	(16,435)	(14,817)	(15,246)
Other	(6,234)	(2,760)	(403,097)	23,896	365,134
Net change in fiduciary net position	(771,680)	2,902,586	947,740	(303,263)	1,900,671
Fiduciary net position, beginning	<u>24,272,059</u>	<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>\$ 23,500,379</u>	<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)	\$ 2,570,511	\$ (777,831)	\$ 699,489	\$ 782,097	\$ (896,332)
Fiduciary net position as a % of total pension liability	90.14%	103.31%	96.83%	96.31%	104.52%
Pensionable covered payroll	5,018,511	4,684,610	4,318,716	3,830,584	3,469,295
Net pension liability / (asset) as a % of covered payroll	51.22%	-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 fiscal year 2015, data for previous years is unavailable.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
Last Five Fiscal Years

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%
2019	477,326	477,326	-	5,492,147	8.69%

Note: GASB 68 requires ten years of data to be provided in this schedule.

However, because this standard was implemented in fiscal year 2015, data for previous years is unavailable.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS
For the Last Two Measurement Years Ended December 31

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 5,435	\$ 4,818
Interest on total OPEB liability	4,976	5,162
Effect of economic/demographic experience	8,066	(3,071)
Effect of assumptions changes or inputs	(15,263)	6,619
Benefit payments/refunds of contributions	(6,022)	(6,090)
Net change in total OPEB liability	(2,808)	7,438
Total OPEB liability, beginning	142,208	134,770
Total OPEB liability, ending	<u>\$ 139,400</u>	<u>\$ 142,208</u>
Pensionable covered payroll	\$ 5,018,511	\$ 4,684,610
Total OPEB liability as a % of covered payroll	2.78%	3.04%

Note: GASB 75 requires ten years of data to be provided in this schedule.

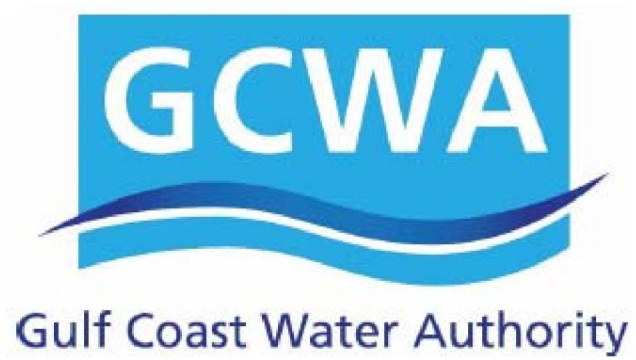
However, because this standard was implemented in fiscal year 2018, data for previous years is unavailable.

GULF COAST WATER AUTHORITY
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
Last Four Fiscal Years

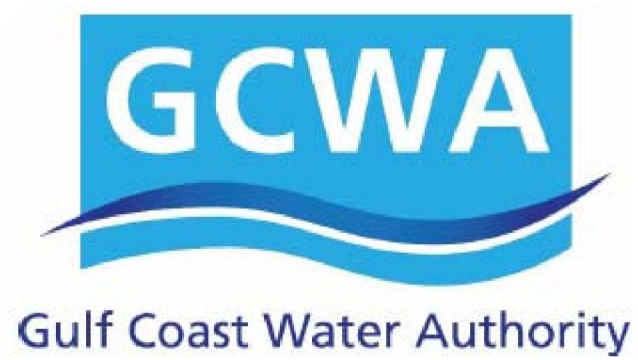
Year Ending August 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 17,056	\$ 17,056	\$ -	\$ 4,198,263	0.41%
2017	16,885	16,885	-	4,404,014	0.38%
2018	18,971	18,971	-	5,171,004	0.37%
2019	19,772	19,772	-	5,492,147	0.36%

Note: GASB 75 requires ten years of data to be provided in this schedule.

However, because this standard was implemented in fiscal year 2018, data for previous years is unavailable.



OTHER SUPPLEMENTARY INFORMATION



GULF COAST WATER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended August 31, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Operating Revenues:				
Metered water sales	\$ 62,906,460	\$ 62,906,460	\$ 62,282,115	\$ (624,345)
Bond payment revenue	7,335,248	7,335,248	7,335,248	-
Irrigation sales	2,751,217	2,751,217	2,474,155	(277,062)
Total Operating Revenues	<u>72,992,925</u>	<u>72,992,925</u>	<u>72,091,518</u>	<u>(901,407)</u>
Operating Expenses:				
Personnel services	8,578,969	8,578,969	9,421,184	(842,215)
Supplies and materials	39,531,953	39,531,953	37,874,556	1,657,397
Contract services	2,058,656	2,058,656	2,099,216	(40,560)
Other charges	2,271,099	2,271,099	2,537,911	(266,812)
Capital	21,170,000	21,170,000	15,798,326	5,371,674
Total Operating Expenses	<u>73,610,677</u>	<u>73,610,677</u>	<u>67,731,193</u>	<u>5,879,484</u>
Nonoperating Revenues (Expenses)				
Investment earnings	961,563	961,563	1,595,974	634,411
Other revenues and (expenses)	1,095,000	1,095,000	2,590,576	1,495,576
Other sources	4,800,000	4,800,000	2,650,000	(2,150,000)
Interest expense	(7,784,134)	(7,784,134)	(1,589,504)	6,194,630
Total Nonoperating Revenues (Expenses)	<u>(927,571)</u>	<u>(927,571)</u>	<u>5,247,046</u>	<u>6,174,617</u>
Change in Net Position	(1,545,323)	(1,545,323)	9,607,371	11,152,694
Net Position at Beginning of Year	154,750,903	154,750,903	154,750,903	-
Prior Period Adjustment	-	-	(19,252,400)	(19,252,400)
Net Position at End of Year	<u>\$ 153,205,580</u>	<u>\$ 153,205,580</u>	<u>\$ 145,105,874</u>	<u>\$ (8,099,706)</u>
Reconciliation to GAAP based Financial Statements				
Net Position budgetary basis			\$ 145,105,874	
Add: Capital outlay			15,798,326	
Add: Amortization of bond premiums			196,834	
Less: Depreciation			(11,258,769)	
Net Position GAAP Basis			<u>\$ 149,842,265</u>	

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2019

Page 1 of 5

	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Assets			
Current Assets:			
Cash and cash equivalents	\$ 321	\$ 4,841	\$ 27,955
Investments	318,276	10,064,210	17,369,811
Accounts receivable	845,501	1,662,375	3,275,152
Interest receivable	674	8,504	12,697
Prepaid items	-	-	700,048
Restricted:			
Investments	289,174	-	-
Total current assets	<u>1,453,946</u>	<u>11,739,930</u>	<u>21,385,663</u>
Noncurrent assets:			
Capital Assets			
Capital assets, non depreciable	-	1,762,462	3,932,699
Capital assets, net of accumulated depreciation	13,493,383	9,114,374	7,729,555
Total capital assets	<u>13,493,383</u>	<u>10,876,836</u>	<u>11,662,254</u>
Total assets	<u>14,947,329</u>	<u>22,616,766</u>	<u>33,047,917</u>
Deferred Outflows of Resources			
Deferred loss on refunding	-	-	-
Deferred outflows for pension	-	659,169	721,754
Deferred outflows for OPEB	-	7,007	7,769
Total deferred outflows of resources	<u>-</u>	<u>666,176</u>	<u>729,523</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	822,660	523,128	231,839
Accrued wages payable	66	37,837	45,966
Current portion of bonds payable	250,000	-	-
Accrued interest payable	850	-	-
Current portion of compensated absences	21	76,475	115,685
Total current liabilities	<u>1,073,597</u>	<u>637,440</u>	<u>393,490</u>
Noncurrent liabilities:			
Revenue bonds payable (net of premiums and discounts)	275,393	-	-
Compensated absences (less current portion)	43	152,950	231,371
Net pension liability	-	866,236	935,556
Net OPEB liability	-	48,845	54,469
Total noncurrent liabilities	<u>275,436</u>	<u>1,068,031</u>	<u>1,221,396</u>
Total liabilities	<u>1,349,033</u>	<u>1,705,471</u>	<u>1,614,886</u>
Deferred Inflows of Resources			
Deferred gain on refunding	-	-	-
Deferred inflows for pension	-	85,049	97,858
Deferred inflows for OPEB activities	-	5,200	5,711
Total deferred inflows of resources	<u>-</u>	<u>90,249</u>	<u>103,569</u>
Net Position			
Net investment in capital assets	12,967,990	10,876,836	11,662,254
Restricted for:			
Debt service	288,324	-	-
Construction	-	-	-
Unrestricted	341,982	10,610,386	20,396,731
Total Net Position	<u>\$ 13,598,296</u>	<u>\$ 21,487,222</u>	<u>\$ 32,058,985</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2019

Page 2 of 5

	Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects
Assets				
Current Assets:				
Cash and cash equivalents	\$ 10,407	\$ 5,856	\$ 2,081	\$ 2,374
Investments	35,550	831,623	459,033	45,000
Accounts receivable	17,228	61,803	334,271	51,417
Interest receivable	-	373	7,973	2,115
Prepaid items	-	-	-	-
Restricted:				
Investments	263,159	-	2,480,897	606,303
Total current assets	<u>326,344</u>	<u>899,655</u>	<u>3,284,255</u>	<u>707,209</u>
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	12,730	867,207	84,565	-
Capital assets, net of accumulated depreciation	1,063,270	215,259	5,345,462	2,183,566
Total capital assets	<u>1,076,000</u>	<u>1,082,466</u>	<u>5,430,027</u>	<u>2,183,566</u>
Total assets	<u>1,402,344</u>	<u>1,982,121</u>	<u>8,714,282</u>	<u>2,890,775</u>
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	-
Deferred outflows for pension	-	19,187	-	-
Deferred outflows for OPEB	-	206	-	-
Total deferred outflows of resources	<u>-</u>	<u>19,393</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	111	1,874	20,314	-
Accrued wages payable	208	639	562	-
Current portion of bonds payable	75,000	-	2,500,000	500,000
Accrued interest payable	1,953	-	15,174	5,135
Current portion of compensated absences	847	1,444	2,482	-
Total current liabilities	<u>78,119</u>	<u>3,957</u>	<u>2,538,532</u>	<u>505,135</u>
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	1,245,000	-	5,668,859	2,108,893
Compensated absences (less current portion)	1,695	2,887	4,963	-
Net pension liability	-	25,683	-	-
Net OPEB liability	-	1,372	-	-
Total noncurrent liabilities	<u>1,246,695</u>	<u>29,942</u>	<u>5,673,822</u>	<u>2,108,893</u>
Total liabilities	<u>1,324,814</u>	<u>33,899</u>	<u>8,212,354</u>	<u>2,614,028</u>
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	153,931	29,781
Deferred inflows for pension	-	2,345	-	-
Deferred inflows for OPEB activities	-	126	-	-
Total deferred inflows of resources	<u>-</u>	<u>2,471</u>	<u>153,931</u>	<u>29,781</u>
Net Position				
Net investment in capital assets	(244,000)	1,082,466	(2,892,763)	(455,108)
Restricted for:				
Debt service	261,206	-	2,465,723	601,168
Construction	-	-	-	-
Unrestricted	60,324	882,678	775,037	100,906
Total Net Position	<u>\$ 77,530</u>	<u>\$ 1,965,144</u>	<u>\$ 347,997</u>	<u>\$ 246,966</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2019

Page 3 of 5

	1998 D La Marque Projects	2002 Galveston Projects	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations
Assets				
Current Assets:				
Cash and cash equivalents	\$ 17,275	\$ 5,029	\$ -	\$ 289
Investments	41,219	60,000	-	9,011,185
Accounts receivable	42,042	69,029	-	1,880,846
Interest receivable	786	-	-	8,492
Prepaid items	-	-	-	65,903
Restricted:				
Investments	228,975	18,745	-	3,080,789
Total current assets	<u>330,297</u>	<u>152,803</u>	<u>-</u>	<u>14,047,504</u>
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	-	-	-	2,639,558
Capital assets, net of accumulated depreciation	410,793	3,755,158	-	3,666,510
Total capital assets	<u>410,793</u>	<u>3,755,158</u>	<u>-</u>	<u>6,306,068</u>
Total assets	<u>741,090</u>	<u>3,907,961</u>	<u>-</u>	<u>20,353,572</u>
Deferred Outflows of Resources				
Deferred loss on refunding	-	70,881	-	-
Deferred outflows for pension	-	-	-	341,571
Deferred outflows for OPEB	-	-	-	3,609
Total deferred outflows of resources	<u>-</u>	<u>70,881</u>	<u>-</u>	<u>345,180</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	-	-	-	625,950
Accrued wages payable	-	-	-	21,192
Current portion of bonds payable	215,000	800,000	-	-
Accrued interest payable	1,469	1,852	-	-
Current portion of compensated absences	-	-	-	67,513
Total current liabilities	<u>216,469</u>	<u>801,852</u>	<u>-</u>	<u>714,655</u>
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	537,173	1,158,000	-	-
Compensated absences (less current portion)	-	-	-	135,025
Net pension liability	-	-	-	470,502
Net OPEB liability	-	-	-	23,695
Total noncurrent liabilities	<u>537,173</u>	<u>1,158,000</u>	<u>-</u>	<u>629,222</u>
Total liabilities	<u>753,642</u>	<u>1,959,852</u>	<u>-</u>	<u>1,343,877</u>
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows for pension	-	-	-	36,219
Deferred inflows for OPEB activities	-	-	-	2,676
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,895</u>
Net Position				
Net investment in capital assets	(341,380)	1,868,039	-	6,736,857
Restricted for:				
Debt service	227,506	16,893	-	-
Construction	-	-	-	2,650,000
Unrestricted	101,322	134,058	-	9,929,123
Total Net Position	<u>\$ (12,552)</u>	<u>\$ 2,018,990</u>	<u>\$ -</u>	<u>\$ 19,315,980</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2019

Page 4 of 5

	Pearland Southeast Water Purification Plant	Northline Group	Bayshore Group	Texas City Reservoir
Assets				
Current Assets:				
Cash and cash equivalents	\$ 2,204	\$ 494	\$ 20,720	\$ 34,980
Investments	310,965	299,449	69,150	5,057,080
Accounts receivable	236,274	16,628	6,989	10,631
Interest receivable	-	74	-	4,693
Prepaid items	-	-	-	-
Restricted:				
Investments	-	-	-	1,017,768
Total current assets	549,443	316,645	96,859	6,125,152
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	-	10,125	-	1,995,259
Capital assets, net of accumulated depreciation	17,054,193	80,407	36,196	14,568,390
Total capital assets	17,054,193	90,532	36,196	16,563,649
Total assets	17,603,636	407,177	133,055	22,688,801
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	-
Deferred outflows for pension	-	-	-	52,862
Deferred outflows for OPEB	-	-	-	518
Total deferred outflows of resources	-	-	-	53,380
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	536,626	-	166	662,822
Accrued wages payable	66	395	249	3,321
Current portion of bonds payable	-	-	-	1,000,000
Accrued interest payable	-	-	-	10,033
Current portion of compensated absences	21	1,713	1,040	5,159
Total current liabilities	536,713	2,108	1,455	1,681,335
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	-	-	-	7,825,000
Compensated absences (less current portion)	43	3,425	2,079	10,319
Net pension liability	-	-	-	84,850
Net OPEB liability	-	-	-	2,716
Total noncurrent liabilities	43	3,425	2,079	7,922,885
Total liabilities	536,756	5,533	3,534	9,604,220
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows for pension	-	-	-	1,236
Deferred inflows for OPEB activities	-	-	-	479
Total deferred inflows of resources	-	-	-	1,715
Net Position				
Net investment in capital assets	17,054,193	90,532	36,196	8,614,391
Restricted for:				
Debt service	-	-	-	131,993
Construction	-	-	-	-
Unrestricted	12,687	311,112	93,325	4,389,862
Total Net Position	\$ 17,066,880	\$ 401,644	\$ 129,521	\$ 13,136,246

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - NET POSITION
August 31, 2019

Page 5 of 5

	Industrial Pump Station	Administrative Operations	Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 4,834	\$ 327,518	\$ -	\$ 467,178
Investments	10,097,991	1,697,759	-	55,768,301
Accounts receivable	977,989	-	-	9,488,175
Interest receivable	14,821	542	-	61,744
Prepaid items	-	87,339	-	853,290
Restricted:				
Investments	4,364,468	-	-	12,350,278
Total current assets	15,460,103	2,113,158	-	78,988,966
Noncurrent assets:				
Capital Assets				
Capital assets, non depreciable	18,661,158	-	-	29,965,763
Capital assets, net of accumulated depreciation	6,491,095	96,105	-	85,303,716
Total capital assets	25,152,253	96,105	-	115,269,479
Total assets	40,612,356	2,209,263	-	194,258,445
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	70,881
Deferred outflows for pension	129,811	-	-	1,924,354
Deferred outflows for OPEB	1,243	-	-	20,352
Total deferred outflows of resources	131,054	-	-	2,015,587
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	1,204,724	166,002	-	4,796,216
Accrued wages payable	9,675	29,353	-	149,529
Current portion of bonds payable	680,000	-	-	6,020,000
Accrued interest payable	20,521	-	-	56,987
Current portion of compensated absences	17,169	88,295	-	377,864
Total current liabilities	1,932,089	283,650	-	11,400,596
Noncurrent liabilities:				
Revenue bonds payable (net of premiums and discounts)	12,315,000	-	-	31,133,318
Compensated absences (less current portion)	34,338	176,590	-	755,728
Net pension liability	187,684	-	-	2,570,511
Net OPEB liability	8,303	-	-	139,400
Total noncurrent liabilities	12,545,325	176,590	-	34,598,957
Total liabilities	14,477,414	460,240	-	45,999,553
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	183,712
Deferred inflows for pension	10,518	-	-	233,225
Deferred inflows for OPEB activities	1,085	-	-	15,277
Total deferred inflows of resources	11,603	-	-	432,214
Net Position				
Net investment in capital assets	15,020,739	96,105	-	82,173,347
Restricted for:				
Debt service	1,480,461	-	-	5,473,274
Construction	-	-	-	2,650,000
Unrestricted	9,753,193	1,652,918	-	59,545,644
Total Net Position	\$ 26,254,393	\$ 1,749,023	\$ -	\$ 149,842,265

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COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION
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	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Operating revenues			
Charges for sales and services			
Metered water sales	\$ 2,874,689	\$ 15,477,526	\$ 14,955,850
Bond payment revenue	264,747	-	-
Irrigation sales	-	-	394,743
Other income	232,164	-	2,323,298
Total operating revenues	3,371,600	15,477,526	17,673,891
Operating expenses			
Personnel services	3,862	2,715,763	2,937,282
Materials	3,384,346	8,192,113	6,063,707
Contractual services	97,459	350,828	653,255
Other charges	-	403,462	827,551
Administrative allocation	52,670	790,056	842,726
Depreciation	1,730,714	1,402,609	1,411,833
Total operating expenses	5,269,051	13,854,831	12,736,354
Operating income (loss)	(1,897,451)	1,622,695	4,937,537
Nonoperating revenues (expenses)			
Investment income (loss)	46,854	203,552	351,418
Interest expense	(28,450)	-	-
Amortization of deferred losses/gains and premium	3,444	-	-
Capital contribution	-	-	-
Total nonoperating revenues (expenses)	21,848	203,552	351,418
Changes in Net Position	(1,875,603)	1,826,247	5,288,955
Beginning Net Position	19,481,741	19,660,975	26,770,030
Prior period adjustment	(4,007,842)	-	-
Ending Net Position	\$ 13,598,296	\$ 21,487,222	\$ 32,058,985

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	Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects
Operating revenues				
Charges for sales and services				
Metered water sales	\$ 82,409	\$ 741,630	\$ 946,484	\$ -
Bond payment revenue	124,323	-	2,841,309	617,010
Irrigation sales	-	-	-	-
Other income	-	-	-	205
Total operating revenues	<u>206,732</u>	<u>741,630</u>	<u>3,787,793</u>	<u>617,215</u>
Operating expenses				
Personnel services	10,226	54,333	28,783	-
Materials	8,084	16,830	38,607	-
Contractual services	166	2,366	1,391	-
Other charges	946	1,686	946	-
Administrative allocation	26,335	26,335	26,335	-
Depreciation	14,915	60,044	1,379,993	729,828
Total operating expenses	<u>60,672</u>	<u>161,594</u>	<u>1,476,055</u>	<u>729,828</u>
Operating income (loss)	<u>146,060</u>	<u>580,036</u>	<u>2,311,738</u>	<u>(112,613)</u>
Nonoperating revenues (expenses)				
Investment income (loss)	8,878	21,206	77,898	17,038
Interest expense	(49,241)	-	(477,143)	(146,010)
Amortization of deferred losses/gains and premium	-	-	155,918	53,633
Capital contribution	-	-	-	-
Total nonoperating revenues (expenses)	<u>(40,363)</u>	<u>21,206</u>	<u>(243,327)</u>	<u>(75,339)</u>
Changes in Net Position	105,697	601,242	2,068,411	(187,952)
Beginning Net Position	(28,167)	1,363,902	2,386,547	2,482,765
Prior period adjustment	-	-	(4,106,961)	(2,047,847)
Ending Net Position	<u>\$ 77,530</u>	<u>\$ 1,965,144</u>	<u>\$ 347,997</u>	<u>\$ 246,966</u>

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COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION
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	1998 D La Marque Projects	2002 Galveston Projects	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations
Operating revenues				
Charges for sales and services				
Metered water sales	\$ 6,500	\$ -	\$ -	\$ 3,374,646
Bond payment revenue	245,751	828,353	-	-
Irrigation sales	-	-	-	2,079,412
Other income	-	-	-	27,921
Total operating revenues	<u>252,251</u>	<u>828,353</u>	<u>-</u>	<u>5,481,979</u>
Operating expenses				
Personnel services	-	-	-	1,398,912
Materials	2,433	-	-	1,287,534
Contractual services	-	-	-	175,164
Other charges	-	-	-	819,000
Administrative allocation	-	-	-	368,693
Depreciation	137,422	1,270,351	-	535,627
Total operating expenses	<u>139,855</u>	<u>1,270,351</u>	<u>-</u>	<u>4,584,930</u>
Operating income (loss)	<u>112,396</u>	<u>(441,998)</u>	<u>-</u>	<u>897,049</u>
Nonoperating revenues (expenses)				
Investment income (loss)	7,187	9,811	-	250,564
Interest expense	(44,832)	(61,524)	-	-
Amortization of deferred losses/gains and premium	11,471	(27,632)	-	-
Capital contribution	-	-	-	2,650,000
Total nonoperating revenues (expenses)	<u>(26,174)</u>	<u>(79,345)</u>	<u>-</u>	<u>2,900,564</u>
Changes in Net Position	86,222	(521,343)	-	3,797,613
Beginning Net Position	321,726	5,387,993	-	15,518,367
Prior period adjustment	(420,500)	(2,847,660)	-	-
Ending Net Position	<u>\$ (12,552)</u>	<u>\$ 2,018,990</u>	<u>\$ -</u>	<u>\$ 19,315,980</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION
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	Pearland Southeast Water Purification Plant	Northline Group	Bayshore Group	Texas City Reservoir
Operating revenues				
Charges for sales and services				
Metered water sales	\$ 1,451,846	\$ 174,320	\$ 83,873	\$ 11,552,578
Bond payment revenue	-	-	-	1,237,645
Irrigation sales	-	-	-	-
Other income	-	-	-	3,725
Total operating revenues	<u>1,451,846</u>	<u>174,320</u>	<u>83,873</u>	<u>12,793,948</u>
Operating expenses				
Personnel services	3,862	20,050	12,410	222,758
Materials	1,552,238	170	-	9,774,483
Contractual services	1,601	166	166	43,025
Other charges	-	-	1,162	42,495
Administrative allocation	52,670	26,335	26,335	211,659
Depreciation	1,391,826	11,483	10,643	366,043
Total operating expenses	<u>3,002,197</u>	<u>58,204</u>	<u>50,716</u>	<u>10,660,463</u>
Operating income (loss)	<u>(1,550,351)</u>	<u>116,116</u>	<u>33,157</u>	<u>2,133,485</u>
Nonoperating revenues (expenses)				
Investment income (loss)	3,209	4,579	1,110	182,308
Interest expense	-	-	-	(266,185)
Amortization of deferred losses/gains and premiums	-	-	-	-
Capital contribution	-	-	-	-
Total nonoperating revenues (expenses)	<u>3,209</u>	<u>4,579</u>	<u>1,110</u>	<u>(83,877)</u>
Changes in Net Position	(1,547,142)	120,695	34,267	2,049,608
Beginning Net Position	24,435,612	280,949	95,254	11,086,638
Prior period adjustment	(5,821,590)	-	-	-
Ending Net Position	<u>\$ 17,066,880</u>	<u>\$ 401,644</u>	<u>\$ 129,521</u>	<u>\$ 13,136,246</u>

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CHANGES IN NET POSITION
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	Industrial Pump Station	Administrative Operations	Eliminations	Total
Operating revenues				
Charges for sales and services				
Metered water sales	\$ 10,559,764	\$ -	\$ (22,418,305)	\$ 39,863,810
Bond payment revenue	1,176,110	-	-	7,335,248
Irrigation sales	-	-	-	2,474,155
Other income	271	2,992	-	2,590,576
Total operating revenues	<u>11,736,145</u>	<u>2,992</u>	<u>(22,418,305)</u>	<u>52,263,789</u>
Operating expenses				
Personnel services	569,477	1,443,466	-	9,421,184
Materials	7,515,551	38,460	(22,418,305)	15,456,251
Contractual services	78,697	694,932	-	2,099,216
Other charges	22,897	417,766	-	2,537,911
Administrative allocation	141,106	(2,591,255)	-	-
Depreciation	626,730	178,708	-	11,258,769
Total operating expenses	<u>8,954,458</u>	<u>182,077</u>	<u>(22,418,305)</u>	<u>40,773,331</u>
Operating income (loss)	<u>2,781,687</u>	<u>(179,085)</u>	<u>-</u>	<u>11,490,458</u>
Nonoperating revenues (expenses)				
Investment income (loss)	377,421	32,941	-	1,595,974
Interest expense	(516,119)	-	-	(1,589,504)
Amortization of deferred losses/gains and premiums	-	-	-	196,834
Capital contribution	-	-	-	2,650,000
Total nonoperating revenues (expenses)	<u>(138,698)</u>	<u>32,941</u>	<u>-</u>	<u>2,853,304</u>
Changes in Net Position	2,642,989	(146,144)	-	14,343,762
Beginning Net Position	23,611,404	1,895,167	-	154,750,903
Prior period adjustment	-	-	-	(19,252,400)
Ending Net Position	<u>\$ 26,254,393</u>	<u>\$ 1,749,023</u>	<u>\$ -</u>	<u>\$ 149,842,265</u>

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COMBINING INFORMATION BY DIVISION - CASH FLOWS
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	League City SE Water Purification Plant	Thomas S. Mackey Water Treatment Plant	Canal Division
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 4,619,689	\$ 16,312,576	\$ 16,522,474
Payments to suppliers	(4,781,372)	(10,525,667)	(9,353,269)
Payments to employees	(3,872)	(2,180,226)	(2,436,688)
Net cash provided (used) by operating activities	(165,555)	3,606,683	4,732,517
Cash Flows from Noncapital Financing Activities			
Intragovernmental transfers in (out)	(5,800)	(86,996)	(92,796)
Net cash provided (used) by noncapital financing activities	(5,800)	(86,996)	(92,796)
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	(1,165,751)	(2,524,044)
Principal paid on bonds	(240,000)	-	-
Interest paid on capital related debt	(33,050)	-	-
Capital contributions received from participants	-	-	-
Net cash provided (used) by capital and related financing activities	(273,050)	(1,165,751)	(2,524,044)
Cash Flows from Investing Activities			
Maturity (purchase) of investments	332,766	(2,627,239)	(2,391,233)
Interest received	47,112	216,997	379,938
Net cash provided (used) by investing activities	379,878	(2,410,242)	(2,011,295)
Net increase (decrease) in cash and cash equivalents	(64,527)	(56,306)	104,382
Beginning cash and cash equivalents	64,848	61,147	(76,427)
Ending cash and cash equivalents	\$ 321	\$ 4,841	\$ 27,955
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (1,897,451)	\$ 1,622,695	\$ 4,937,537
Adjustment to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,730,714	1,402,609	1,411,833
Changes in Operating Assets and Liabilities:			
(Increase) decrease in assets:			
Accounts receivable	1,248,089	835,050	(1,151,417)
Prepays	-	-	(18,514)
Deferred outflows for pensions	-	(489,169)	(532,330)
Deferred outflows for OPEB	-	(3,607)	(3,925)
Increase (decrease) in liabilities:			
Accounts payable	(1,246,897)	(789,208)	(947,516)
Wages payable	3	47	7,281
Compensated absences payable	(13)	3,936	(85,142)
Deferred inflows for pension	-	(117,451)	(127,817)
Deferred inflows for OPEB	-	4,300	4,679
Total OPEB liability	-	(955)	(1,039)
Net pension liability	-	1,138,436	1,238,887
Net cash provided (used) by operating activities	\$ (165,555)	\$ 3,606,683	\$ 4,732,517

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CASH FLOWS
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	Galveston County WCID #12	1997 Galveston Projects	1998 A-B Series South Projects	1998 C Series Texas City Projects
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 203,167	\$ 743,974	\$ 3,753,261	\$ 617,460
Payments to suppliers	(68,177)	(50,157)	(52,327)	(5,000)
Payments to employees	(10,092)	(38,454)	(28,650)	-
Net cash provided (used) by operating activities	<u>124,898</u>	<u>655,363</u>	<u>3,672,284</u>	<u>612,460</u>
Cash Flows from Noncapital Financing Activities				
Intragovernmental transfers in (out)	(2,900)	(2,900)	(187,900)	-
Net cash provided (used) by noncapital financing activities	<u>(2,900)</u>	<u>(2,900)</u>	<u>(187,900)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(69,939)	(822,849)	(347,135)	-
Principal paid on bonds	(70,000)	-	(2,385,000)	(475,000)
Interest paid on capital related debt	(49,344)	-	(488,069)	(151,250)
Capital contributions received from participants	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(189,283)</u>	<u>(822,849)</u>	<u>(3,220,204)</u>	<u>(626,250)</u>
Cash Flows from Investing Activities				
Maturity (purchase) of investments	41,209	116,296	(383,683)	(2,656)
Interest received	8,878	21,584	78,699	17,306
Net cash provided (used) by investing activities	<u>50,087</u>	<u>137,880</u>	<u>(304,984)</u>	<u>14,650</u>
Net increase (decrease) in cash and cash equivalents	(17,198)	(32,506)	(40,804)	860
Beginning cash and cash equivalents	27,605	38,362	42,885	1,514
Ending cash and cash equivalents	<u>\$ 10,407</u>	<u>\$ 5,856</u>	<u>\$ 2,081</u>	<u>\$ 2,374</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 146,060	\$ 580,036	\$ 2,311,738	\$ (112,613)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	14,915	60,044	1,379,993	729,828
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(3,565)	2,344	(34,532)	245
Prepays	-	-	-	-
Deferred outflows for pensions	-	(14,387)	-	-
Deferred outflows for OPEB	-	(106)	-	-
Increase (decrease) in liabilities:				
Accounts payable	(32,646)	(2,940)	14,952	(5,000)
Wages payable	67	-	88	-
Compensated absences payable	67	246	45	-
Deferred inflows for pension	-	(3,455)	-	-
Deferred inflows for OPEB	-	126	-	-
Total OPEB liability	-	(28)	-	-
Net pension liability	-	33,483	-	-
Net cash provided (used) by operating activities	<u>\$ 124,898</u>	<u>\$ 655,363</u>	<u>\$ 3,672,284</u>	<u>\$ 612,460</u>

GULF COAST WATER AUTHORITY
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	1998 D La Marque Projects	2002 Galveston Projects	Thomas Mackey Water Treatment Plant Expansion	Juliff-Chocolate Bayou Operations
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 236,047	\$ 831,589	\$ -	\$ 5,748,182
Payments to suppliers	(7,433)	(5,000)	-	(2,360,875)
Payments to employees	-	-	-	(1,143,963)
Net cash provided (used) by operating activities	<u>228,614</u>	<u>826,589</u>	<u>-</u>	<u>2,243,344</u>
Cash Flows from Noncapital Financing Activities				
Intragovernmental transfers in (out)	-	-	-	(40,598)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,598)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	-	(1,580,442)
Principal paid on bonds	(200,000)	(785,000)	-	-
Interest paid on capital related debt	(49,498)	(66,266)	-	-
Capital contributions received from participants	-	-	-	2,650,000
Net cash provided (used) by capital and related financing activities	<u>(249,498)</u>	<u>(851,266)</u>	<u>-</u>	<u>1,069,558</u>
Cash Flows from Investing Activities				
Maturity (purchase) of investments	(25,585)	16,563	-	(3,648,564)
Interest received	7,287	9,811	-	269,909
Net cash provided (used) by investing activities	<u>(18,298)</u>	<u>26,374</u>	<u>-</u>	<u>(3,378,655)</u>
Net increase (decrease) in cash and cash equivalents	(39,182)	1,697	-	(106,351)
Beginning cash and cash equivalents	56,457	3,332	-	106,640
Ending cash and cash equivalents	<u>\$ 17,275</u>	<u>\$ 5,029</u>	<u>\$ -</u>	<u>\$ 289</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 112,396	\$ (441,998)	\$ -	\$ 897,049
Adjustment to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	137,422	1,270,351	-	535,627
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(16,204)	3,236	-	266,203
Prepays	-	-	-	49,162
Deferred outflows for pensions	-	-	-	(258,971)
Deferred outflows for OPEB	-	-	-	(1,909)
Increase (Decrease) in Liabilities:				
Accounts payable	(5,000)	(5,000)	-	240,354
Wages Payable	-	-	-	3,084
Compensated absences payable	-	-	-	(29,547)
Deferred inflows for pension	-	-	-	(62,181)
Deferred inflows for OPEB	-	-	-	2,276
Total OPEB liability	-	-	-	(505)
Net pension liability	-	-	-	602,702
Net cash provided (used) by operating activities	<u>\$ 228,614</u>	<u>\$ 826,589</u>	<u>\$ -</u>	<u>\$ 2,243,344</u>

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COMBINING INFORMATION BY DIVISION - CASH FLOWS
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	Pearland Southeast Water Purification Plant	Northline Group	Bayshore Group	Texas City Reservoir
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,204,056	\$ 169,066	\$ 83,452	\$ 12,793,000
Payments to suppliers	(2,195,916)	(26,671)	(27,497)	(9,451,873)
Payments to employees	(3,872)	(19,917)	(12,277)	(177,189)
Net cash provided (used) by operating activities	4,268	122,478	43,678	3,163,938
Cash Flows from Noncapital Financing Activities				
Intragovernmental transfers in (out)	(5,800)	(2,900)	(2,900)	(51,457)
Net cash provided (used) by noncapital financing activities	(5,800)	(2,900)	(2,900)	(51,457)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(10,125)	-	(2,462,439)
Principal paid on bonds	-	-	-	(975,000)
Interest paid on capital related debt	-	-	-	(267,289)
Capital contributions received from participants	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	(10,125)	-	(3,704,728)
Cash Flows from Investing Activities				
Maturity (purchase) of investments	(39,014)	(159,929)	(39,150)	171,012
Interest received	3,209	4,505	1,110	186,323
Net cash provided (used) by investing activities	(35,805)	(155,424)	(38,040)	357,335
Net increase (decrease) in cash and cash equivalents	(37,337)	(45,971)	2,738	(234,912)
Beginning cash and cash equivalents	39,541	46,465	17,982	269,892
Ending cash and cash equivalents	\$ 2,204	\$ 494	\$ 20,720	\$ 34,980
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (1,550,351)	\$ 116,116	\$ 33,157	\$ 2,133,485
Adjustment to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	1,391,826	11,483	10,643	366,043
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	752,210	(5,254)	(421)	(948)
Prepays	-	-	-	-
Deferred outflows for pensions	-	-	-	(43,162)
Deferred outflows for OPEB	-	-	-	(318)
Increase (Decrease) in Liabilities:				
Accounts payable	(589,407)	-	166	619,789
Wages Payable	3	78	69	783
Compensated absences payable	(13)	55	64	(2,115)
Deferred inflows for pension	-	-	-	(10,364)
Deferred inflows for OPEB	-	-	-	379
Total OPEB liability	-	-	-	(84)
Net pension liability	-	-	-	100,450
Net cash provided (used) by operating activities	\$ 4,268	\$ 122,478	\$ 43,678	\$ 3,163,938

GULF COAST WATER AUTHORITY
COMBINING INFORMATION BY DIVISION - CASH FLOWS
Year Ended August 31, 2019

Page 5 of 5

	Industrial Pump Station	Administrative Operations	Eliminations	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 11,809,994	\$ 2,992	\$ (22,418,305)	\$ 54,232,674
Payments to suppliers	(8,180,954)	(78,592)	22,418,305	(24,752,475)
Payments to employees	(466,275)	-	-	(6,521,475)
Net cash provided (used) by operating activities	3,162,765	(75,600)	-	22,958,724
Cash Flows from Noncapital Financing Activities				
Intragovernmental transfers in (out)	(34,304)	517,251	-	-
Net cash provided (used) by noncapital financing activities	(34,304)	517,251	-	-
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(6,868,398)	-	-	(15,851,122)
Principal paid on bonds	(650,000)	-	-	(5,780,000)
Interest paid on capital related debt	(517,146)	-	-	(1,621,912)
Capital contributions received from participants	-	-	-	2,650,000
Net cash provided (used) by capital and related financing activities	(8,035,544)	-	-	(20,603,034)
Cash Flows from Investing Activities				
Maturity (purchase) of investments	4,706,108	(308,229)	-	(4,241,328)
Interest received	398,309	33,611	-	1,684,588
Net cash provided (used) by investing activities	5,104,417	(274,618)	-	(2,556,740)
Net increase (decrease) in cash and cash equivalents	197,334	167,033	-	(201,050)
Beginning cash and cash equivalents	(192,500)	160,485	-	668,228
Ending cash and cash equivalents	\$ 4,834	\$ 327,518	\$ -	\$ 467,178
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 2,781,687	\$ (179,085)	\$ -	\$ 11,490,458
Adjustment to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	626,730	178,708	-	11,258,769
Changes in Operating Assets and Liabilities:				
(Increase) decrease in assets:				
Accounts receivable	73,849	-	-	1,968,885
Prepays	-	(87,339)	-	(56,691)
Deferred outflows for pensions	(100,711)	-	-	(1,438,730)
Deferred outflows for OPEB	(743)	-	-	(10,608)
Increase (Decrease) in Liabilities:				
Accounts payable	(422,703)	(2,702)	-	(3,173,758)
Wages Payable	3,241	21,419	-	36,163
Compensated absences payable	(9,475)	(6,601)	-	(128,493)
Deferred inflows for pension	(24,182)	-	-	(345,450)
Deferred inflows for OPEB	885	-	-	12,645
Total OPEB liability	(197)	-	-	(2,808)
Net pension liability	234,384	-	-	3,348,342
Net cash provided (used) by operating activities	\$ 3,162,765	\$ (75,600)	\$ -	\$ 22,958,724

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	60
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	64
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
Debt Capacity	68
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	70
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	74
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*Page 1 of 2***NET POSITION BY COMPONENT***Last Ten Years*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities					
Net investment in capital assets	\$ 62,285,473	\$ 68,818,981	\$ 71,596,314	\$ 82,210,275	\$ 89,968,160
Restricted	8,991,124	7,410,661	5,661,833	4,613,439	4,402,858
Unrestricted	<u>48,711,327</u>	<u>46,555,388</u>	<u>44,998,487</u>	<u>45,079,354</u>	<u>39,492,731</u>
Total business-type activities net position	<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</u>	<u>\$ 131,903,068</u>	<u>\$ 133,863,749</u>

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

GULF COAST WATER AUTHORITY
NET POSITION BY COMPONENT
Last Ten Years

Page 2 of 2

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Business-type activities					
Net investment in capital assets	\$ 89,164,201	\$ 86,052,697	\$ 89,007,877	\$ 98,374,073	\$ 82,173,347
Restricted	3,660,154	3,593,830	5,758,363	5,608,342	5,473,274
Unrestricted	<u>40,682,653</u>	<u>45,764,902</u>	<u>43,619,949</u>	<u>50,768,488</u>	<u>59,545,644</u>
Total business-type activities net position	<u>\$ 133,507,008</u>	<u>\$ 135,411,429</u>	<u>\$ 138,386,189</u>	<u>\$ 154,750,903</u>	<u>\$ 147,192,265</u>

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

GULF COAST WATER AUTHORITY
CHANGE IN NET POSITION
Last Ten Years

Page 1 of 2

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues					
Metered water sales	\$ 18,438,418	\$ 21,032,627	\$ 19,378,636	\$ 24,612,505	\$ 25,858,256
Bond payment revenue	7,675,036	7,901,210	6,679,086	6,901,675	5,498,227
Irrigation sales and other	1,777,600	4,305,418	3,298,860	2,855,535	520,201
Total operating revenues	<u>27,891,054</u>	<u>33,239,255</u>	<u>29,356,582</u>	<u>34,369,715</u>	<u>31,876,684</u>
Operating Expenses:					
Personnel services	3,660,715	4,012,351	4,386,157	4,900,543	5,272,420
Supplies and materials	8,272,368	14,066,690	11,814,066	11,595,411	13,133,355
Contracted services	2,071,717	2,563,779	2,700,910	3,382,054	1,916,074
Other charges	45,734	45,035	99,300	114,604	879,053
Depreciation	5,710,496	6,681,940	8,128,117	9,506,366	11,521,295
Total operating expenses	<u>19,761,030</u>	<u>27,369,795</u>	<u>27,128,550</u>	<u>29,498,978</u>	<u>32,722,197</u>
Operating income (loss)	<u>8,130,024</u>	<u>5,869,460</u>	<u>2,228,032</u>	<u>4,870,737</u>	<u>(845,513)</u>
Nonoperating Revenues (Expenses)					
Investment earnings	379,543	(684,067)	125,975	132,077	88,724
Other revenues and (expenses)	-	-	485,166	7,139,601	3,805,305
Bond issuance costs	-	-	(1,150,528)*	-	-
Interest expense	(2,451,023)	(2,220,993)	(1,518,535)	(1,443,992)	(1,087,835)
Intergovernmental transfers	(167,293)	(167,294)	(698,506)	-	-
Total nonoperating revenues (expenses)	<u>(2,238,773)</u>	<u>(3,072,354)</u>	<u>(2,756,428)</u>	<u>5,827,686</u>	<u>2,806,194</u>
 Change in Net Position	 5,891,251	 2,797,106	 (528,396)	 10,698,423	 1,960,681
Net Position at beginning of year	114,096,673	119,987,924	122,785,030	122,256,634	132,955,057
Prior period adjustment	-	-	-	-	-
Net Position at end of year	<u>\$ 119,987,924</u>	<u>\$ 122,785,030</u>	<u>\$ 122,256,634</u>	<u>\$ 132,955,057</u>	<u>\$ 134,915,738</u>

* GASB 65 impact.

GULF COAST WATER AUTHORITY
CHANGE IN NET POSITION
Last Ten Years

Page 2 of 2

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues					
Metered water sales	\$ 25,230,737	\$ 33,425,561	\$ 35,155,368	\$ 41,417,047	\$ 39,863,810
Bond payment revenue	5,788,454	6,725,417	7,948,943	6,963,593	7,335,248
Irrigation sales and other	949,941	3,704,218	3,948,022	6,855,674	5,064,731
Total operating revenues	<u>31,969,132</u>	<u>43,855,196</u>	<u>47,052,333</u>	<u>55,236,314</u>	<u>52,263,789</u>
Operating Expenses:					
Personnel services	4,988,132	6,501,190	8,214,064	7,147,241	9,421,184
Supplies and materials	12,071,554	14,283,436	15,554,551	14,272,990	15,456,251
Contracted services	1,620,916	1,660,523	1,285,284	1,929,804	2,099,216
Other charges	1,141,508	1,377,152	1,163,632	1,626,799	2,537,911
Depreciation	13,446,858	15,026,000	17,285,453	13,135,192	11,258,769
Total operating expenses	<u>33,268,968</u>	<u>38,848,301</u>	<u>43,502,984</u>	<u>38,112,026</u>	<u>40,773,331</u>
Operating income (loss)	<u>(1,299,836)</u>	<u>5,006,895</u>	<u>3,549,349</u>	<u>17,124,288</u>	<u>11,490,458</u>
Nonoperating Revenues (Expenses)					
Investment earnings	68,494	132,478	311,266	1,150,390	1,595,974
Other revenues and (expenses)	927,631	(1,507,389)	450,668	110,959	196,834
Bond issuance costs	-	-	-	-	-
Interest expense	(1,105,019)	(951,519)	(1,336,523)	(1,886,153)	(1,589,504)
Intergovernmental transfers	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(108,894)</u>	<u>(2,326,430)</u>	<u>(574,589)</u>	<u>(624,804)</u>	<u>203,304</u>
 Change in Net Position	 (1,408,730)	 2,680,465	 2,974,760	 16,499,484	 11,693,762
Net Position at beginning of year	134,915,738	133,507,008	135,411,429	138,386,189	154,750,903
Prior period adjustment	<u>-</u>	<u>(776,044)</u>	<u>-</u>	<u>(134,770)</u>	<u>(19,252,400)</u>
Net Position at end of year	<u>\$ 133,507,008</u>	<u>\$ 135,411,429</u>	<u>\$ 138,386,189</u>	<u>\$ 154,750,903</u>	<u>\$ 147,192,265</u>

* GASB 65 impact.

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				
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
2019	39,863,810	0.24	0.42	1.18	2.28	7,703,072

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

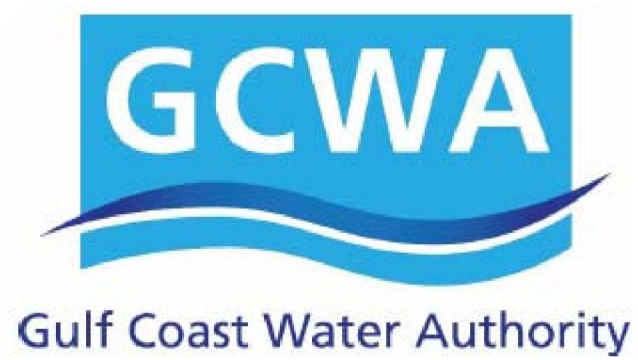
(2) Price varies by customer.

Note: This schedule does not include interruptible water.

GULF COAST WATER AUTHORITY
PRINCIPAL WATER FEE PAYERS
Current Year and Nine Years Ago
(Unaudited)

Customer	2019			2010		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
City of Galveston	\$ 8,424,456	1	19%	\$ 3,651,676	1	15%
Blanchard/Marathon GBR	5,849,770	2	13%	2,090,394	3	9%
City of League City - SEWPP	3,794,522	3	8%	1,939,924	2	8%
City of Texas City	3,703,320	4	8%	1,640,205	4	7%
INEOS	3,370,147	5	8%	1,252,278	5	5%
Union Carbide Corp./DOW	2,166,178	6	5%	887,738		4%
City of Pearland	1,627,995	7	4%	-	6	0%
Ascend	1,573,604	8	4%	-		0%
Eastman Chemical	1,448,252	9	3%	501,554	10	2%
Galveston County WCID #1	1,401,582	10	3%	757,160	7	3%
City of Missouri City	-		0%	633,567	8	3%
City of La Marque	-		0%	525,671	9	2%

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



GULF COAST WATER AUTHORITY

LIST OF PRINCIPAL CUSTOMERS

August 31, 2019

(Unaudited)

Industrial Customers

Blanchard/Marathon GBR
Ashland Performance Chemicals
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 Lamarque
City of Texas City
San Leon MUD
Galveston County WCID #12
City of Hitchcock
Galveston County WCID #8
Galveston County FWD #6
Galveston County MUD #12
City of Galveston

Canal Division

City of Missouri City
City of Sugar Land
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)
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	100.51%
2018	43,114,284	78.05%
2019	37,153,318	71.09%

(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 DIVISION
Fiscal Year Ended August 31, 2019
(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	\$ 3,371,600	\$ 3,538,337	\$ (166,737)	\$ 240,000	\$ 28,800	-0.62
1998 A-B Series South Projects	3,787,793	96,062	3,691,731	2,385,000	500,175	1.28
1998 C Series Texas City Projects	617,215	-	617,215	475,000	147,000	0.99
1998 D La Marque Projects	252,251	2,433	249,818	200,000	45,250	1.02
2002 Galveston Projects	828,353	-	828,353	785,000	73,548	0.96
Texas City Reservoir	12,793,948	10,294,420	2,499,528	975,000	267,290	2.01
Industrial Pump Station	11,736,145	8,327,728	3,408,417	720,000	566,491	2.65
Other Divisions	18,876,484	7,255,582	11,620,902	-	-	
	<u>\$ 52,263,789</u>	<u>\$ 29,514,562</u>	<u>\$ 22,749,227</u>	<u>\$ 5,780,000</u>	<u>\$ 1,628,554</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

AUTHORITY DEMOGRAPHICS

(Unaudited)

Page 1 of 2

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*Page 2 of 2***AUTHORITY DEMOGRAPHICS***(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/MapToolServlet>**Source <http://beta.bls.gov/dataQuery> @ August 2015*

GULF COAST WATER AUTHORITY
NUMBER OF EMPLOYEES BY DIVISION
Last Ten Fiscal Years
(Unaudited)

Page 1 of 2

Division	Number of Positions Full-Time Equivalent				
	2010	2011	2012	2013	2014
Administrative	8	8	9	9	10
Industrial	2	2	2	2	2
Texas City Reservoir					
Texas City Industrial					
Water treatment plant	15	13	13	14	12
Canal	16	19	19	20	22
Chocolate Bayou	4	4	4	4	5
Total	45	46	47	49	51

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.

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

GULF COAST WATER AUTHORITY
NUMBER OF EMPLOYEES BY DIVISION
Last Ten Fiscal Years
(Unaudited)

Page 2 of 2

Division	Number of Positions Full-Time Equivalent				
	2015	2016	2017	2018	2019
Administrative	11	10	10	8	11
Industrial	2	2	1		
Texas City Reservoir				1	1
Texas City Industrial				2	5
Water treatment plant	17	19	21	24	24
Canal	22	26	27	28	31
Chocolate Bayou	5	4	6	5	6
Total	57	61	65	68	78

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.

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

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

Page 1 of 2

<u>Annual Acre Feet</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Industrial	62,320	89,713	65,347	61,266	116,816
Irrigation	99,295	119,065	99,019	50,929	23,864
Municipal	83,556	73,714	75,787	47,574	29,795
Total Pumpage	245,171	282,492	240,153	159,769	170,475

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

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

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<u>Annual Acre Feet</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Industrial	77,032	77,500	54,292	49,935	62,469
Irrigation	21,091	82,037	46,451	45,136	48,422
Municipal	54,648	67,367	43,110	39,517	49,963
Total Pumpage	<u>152,771</u>	<u>226,904</u>	<u>143,853</u>	<u>134,588</u>	<u>160,854</u>

Source: Annual Report to Texas Commission on Environmental Quality.

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

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	2010	2011	2012	2013	2014
Industrial Division					
Office furniture, fixtures and equipment	\$ -	\$ -	\$ 1,036	\$ 10,152	\$ 6,159
Other machinery and equipment	-	15,644	-	3,128	-
Automobiles and trucks	-	21,418	-	22,636	3,921
Buildings	10,619	18,359	43,157	132,908	-
Infrastructure	109,373	261,585	737,943	3,033,669	4,278,111
Texas City Reservoir Division					
Buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Texas City Industrial Division					
Infrastructure	-	-	-	-	-
League City Southeast Division					
Office furniture, fixtures and equipment	-	-	46	416	302
Other machinery and equipment	-	-	-	128	-
Automobiles and trucks	-	-	-	140	192
Buildings	-	-	-	1,066	980
Infrastructure	-	-	236	16,900	2,672,018
Water Treatment Plant					
Land	-	-	-	-	-
Office furniture, fixtures and equipment	-	36,202	4,040	19,999	121,377
Other machinery and equipment	-	34,132	107,436	70,529	67,924
Automobiles and trucks	-	38,265	-	6,723	33,445
Buildings	120,633	379,374	250,527	365,709	168,524
Infrastructure	532,987	714,445	684,908	1,767,842	2,663,309
Canal Division					
Land	-	3,500	37,182	-	-
Office furniture, fixtures and equipment	-	-	2,802	21,759	23,021
Other machinery and equipment	13,829	1,084,011	47,628	576,821	766,934
Automobiles and trucks	35,618	126,061	-	167,857	82,211
Buildings	-	-	38,281	141,007	286,642
Infrastructure	193,152	881,794	2,979,058	2,345,951	1,425,510
Galveston County WCID #12					
Infrastructure	-	-	-	-	-
1998 A-B South Projects					
Infrastructure	-	-	-	-	-

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

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	2015	2016	2017	2018	2019
Industrial Division					
Office furniture, fixtures and equipment	\$ -	\$ -	\$ -	\$ -	\$ -
Other machinery and equipment	5,758	61,713	-	-	-
Automobiles and trucks	-	-	34,302	-	-
Buildings	-	-	31,139	-	-
Infrastructure	4,059,378	1,624,938	7,006,745	-	2,337,562
Texas City Reservoir Division					
Buildings	-	-	-	-	25,512
Infrastructure	-	-	-	2,701,916	11,515,777
Texas City Industrial Division					
Infrastructure	-	-	-	6,447,948	-
League City Southeast Division					
Office furniture, fixtures and equipment	-	-	-	-	-
Other machinery and equipment	-	-	-	-	-
Automobiles and trucks	-	-	-	-	-
Buildings	-	-	-	-	-
Infrastructure	76,941	110,591	1,077,525	2,286,456	3,273,042
Water Treatment Plant					
Land	-	-	-	-	-
Office furniture, fixtures and equipment	-	38,607	32,228	-	-
Other machinery and equipment	15,205	5,159	-	-	75,184
Automobiles and trucks	32,885	33,095	82,347	-	-
Buildings	65,404	200,519	572,268	-	403,433
Infrastructure	1,714,354	3,082,780	2,410,859	4,830,763	2,651,734
Canal Division					
Land	-	-	-	-	-
Office furniture, fixtures and equipment	-	-	-	-	-
Other machinery and equipment	57,250	332,343	314,979	-	212,635
Automobiles and trucks	209,334	102,464	46,770	-	159,448
Buildings	79,435	112,303	28,403	-	-
Infrastructure	762,469	453,388	1,534,180	2,830,294	1,012,457
Galveston County WCID #12					
Infrastructure	-	-	93,269	931,267	1,057,743
1998 A-B South Projects					
Infrastructure	-	269,326	263,881	789,436	262,570

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

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	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1998 C Series Texas City Projects					
Infrastructure	\$ 1,252	\$ 358,485	\$ -	\$ -	\$ -
2002 Galveston Projects					
Infrastructure	491,884	683,873	505,472	1,216,421	274,779
Chocolate Bayou					
Land	-	-	20,975	-	-
Office furniture, fixtures and equipment	-	-	1,337	10,425	6,832
Other machinery and equipment	-	18,134	14,058	3,212	167,071
Automobiles and trucks	20,010	63,770	-	50,000	28,486
Buildings	-	-	-	26,741	35,772
Infrastructure	95,670	135,286	837,833	892,215	1,555,893
Pearland Southeast Plant					
Office furniture, fixtures and equipment	-	-	46	416	302
Other machinery and equipment	-	-	-	128	-
Automobiles and trucks	-	-	-	140	192
Buildings	-	-	-	1,066	980
Infrastructure	-	-	236	-	-
1997 Galveston Projects					
Office furniture, fixtures and equipment	-	-	73	1,786	418
Other machinery and equipment	-	-	-	550	-
Automobiles and trucks	-	-	-	600	266
Buildings	-	-	-	4,582	1,357
Infrastructure	18,277	31,189	82,739	37,212	39,483

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

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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1998 C Series Texas City Projects					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
2002 Galveston Projects					
Infrastructure	-	-	-	-	-
Chocolate Bayou					
Land	-	-	-	-	-
Office furniture, fixtures and equipment	-	-	-	-	-
Other machinery and equipment	-	-	-	-	98,524
Automobiles and trucks	-	32,248	33,405	-	37,245
Buildings	30,774	273,689	41,972	-	-
Infrastructure	740,258	734,486	661,001	1,535,450	346,172
Pearland Southeast Plant					
Office furniture, fixtures and equipment	-	-	-	-	-
Other machinery and equipment	-	-	-	-	-
Automobiles and trucks	-	-	-	-	-
Buildings	-	-	-	-	-
Infrastructure	-	-	-	1,027,515	1,027,515
1997 Galveston Projects					
Office furniture, fixtures and equipment	-	-	-	-	-
Other machinery and equipment	-	-	-	-	-
Automobiles and trucks	-	-	-	-	-
Buildings	-	-	-	-	-
Infrastructure	-	42,371	163,512	29,865	149,019

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

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	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Treatment Plant Expansion 2011					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
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>\$ 1,643,304</u>	<u>\$ 4,905,527</u>	<u>\$ 6,397,049</u>	<u>\$ 10,950,834</u>	<u>\$ 14,712,411</u>

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

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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water Treatment Plant Expansion 2011					
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Northline Group					
Infrastructure	-	100,765	13,674	-	-
Bayshore Group					
Infrastructure	-	12,159	43,354	-	-
Administrative					
Office furniture, fixtures and equipment	22,598	7,739	10,128	-	-
Other machinery and equipment	-	-	-	-	-
Automobiles and trucks	28,825	31,453	32,869	-	-
Buildings	-	9,299	-	-	-
Infrastructure	19,160	-	-	1,367,721	-
Total Capital Assets	<u>\$ 7,920,028</u>	<u>\$ 7,671,435</u>	<u>\$ 14,528,810</u>	<u>\$ 24,782,667</u>	<u>\$ 24,645,572</u>

