

A photograph of a pelican in flight over a beach with a city skyline in the background, and a large group of pelicans in the foreground.

Gulf Coast Authority State of Texas

*Comprehensive Annual Financial
Report for Year Ended
December 31, 2017*

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***
of the
**Gulf Coast Authority,
State of Texas**

**For the Year Ended
December 31, 2017**

Prepared by:

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Please visit us at our website: www.gcatx.org

GULF COAST AUTHORITY
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INTRODUCTORY SECTION



Gulf Coast Authority

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April 10, 2018

To the Board of Directors, Participants, and Customers
of the Gulf Coast Authority:

The Texas Water Code, Chapter 49, requires the Gulf Coast Authority (the Authority) publish within 135 days of the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Gulf Coast Authority for the year ended December 31, 2017.

In addition, the Texas Water Code, Chapter 49, requires that the Authority submit a copy of the CAFR to the Texas Commission on Environmental Quality (TCEQ) within 135 days of the close of each year along with annual filing affidavits stating that copies of the CAFR have been filed with the County Clerks' offices in the three counties of the Authority's statutory district. The Authority's statutory district is within the State of Texas and includes Harris, Galveston and Chambers Counties. A copy of the CAFR must also be filed with the Governor's office, Auditor's office and the Pension Review Board of the State of Texas. These filing requirements will be met.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the CAFR. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this CAFR is complete and reliable in all material respects.

The Authority's financial statements have been audited by Whitley Penn, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the year ended December 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Whitley Penn concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the year ended December 31, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

Profile of the Authority

The Authority was created in 1969 by the Texas Legislature as a political subdivision of the State of Texas and is governed by a nine-member Board of Directors. The Authority provides services to assist governments and industries in managing their pollution control needs. These services include the operation of wastewater treatment facilities; technical assistance and information programs; involvement in community environmental projects; and pollution control and private activity bond financing of projects. The Authority's Act was amended during 2013 to provide for the construction and operation of water systems. In 2017 the Authority was officially renamed from Gulf Coast Waste Disposal Authority to Gulf Coast Authority by passage of SB 1489.

The Authority operates under the leadership of the Board of Directors consisting of the Chairman and eight other members. The list of the Board of Directors and their respective appointing bodies are included in this introductory section. The Board of Directors is responsible, among other things, for setting policy, passing resolutions, adopting budgets and hiring the General Manager/Chief Executive Officer. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the Authority and hiring staff, managers and department heads.

In accordance with the Texas Water Code, Chapter 49, the Authority's Board of Directors adopts annual budgets for the General Services, Bayport Area System, Central Laboratory, Municipal Operations, Odessa South Regional Facility, Vince Bayou Facility, and Washburn Tunnel Pipeline Facility Divisions. Participants approve the annual budgets for the Blackhawk Regional Facility, Campbell Bayou Facility, 40-Acre Facility, and Washburn Tunnel Facility Divisions. Annual budgets are not legal spending limits, but rather management tools for evaluation of program efficiency and effective use of resources. Accordingly, these financial plans are non-appropriated budgets.

During 2017, the Authority operated four industrial wastewater treatment plants, two municipal sewage treatment plants, an industrial solid waste landfill, a pipeline, two receiving stations for the collection of trucked in wastewater and a service that provides billing and collection for a utility district. In addition, the Authority operated a central laboratory that has consolidated most of the Authority's analytical services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Gulf Coast Authority operates.

Local economy. Harris, Galveston and Chambers Counties form the primary jurisdictional area for the Authority. This area is located within the Houston-Sugarland-Baytown Metropolitan Statistical Area (MSA). Harris is the largest county and Houston is the largest city in the MSA. Houston is home to major U.S. energy firms in every segment, including manufacturing, exploration, production, oil field service and supply, and development. About 3,600 energy-related companies lie within the Houston area. These companies plus the technically trained and experienced work force will keep Houston as the center of the energy industry in the United States.

The region also has a diverse industrial base in manufacturing, aeronautics and technology. NASA's Johnson Space Center is located in the region and provides for advances in space and aeronautics technology with its highly trained work force. The region is also home to the Port of Houston, the world's sixth largest port.

Houston is also the world leader in the chemical industry, with nearly 40% of the nation's capacity for producing the basic chemicals that are used by downstream chemical operations. The industry consists of more than 400 plants and employs more than 36,000. Over 90% of the Authority's operating revenues come from this industry sector.

According to the U.S. Census Bureau the population of the region grew from 4.85 million to 6.1 million (25.4%) between 2000 and 2010. The Bureau of Labor Statistics reports the unemployment rate for the Houston MSA at 4.3% as of December 31, 2017, down 23% from a year ago. It also reports that there are currently 3.082 million jobs, the highest level in Houston's history according to the Greater Houston Partnership (GHP). The outlook for growth of the region continues to be strong with the GHP estimating 45,500 new non-farm jobs for 2018.

Long-term financial planning. The Board of Directors and staff have developed a business plan that includes the expansion of current facilities, the addition of new facilities and expansion into new types of services such as wastewater reuse. The 5-Year Capital Projects Plan includes over \$131 million in planned additions to existing facilities. The Bayport Facility accounts for over \$101 million of the total with additions to maintain reliability as well as to maintain compliance with air and water permits. Other additions include \$2.4 million at the Blackhawk Facility; \$11.1 million at the Washburn Tunnel Facility; \$2.3 million at the 40-Acre Facility; \$2.7 million at the Odessa facility; \$8.2 million at the Campbell Bayou Facility; \$2.9 million at the Central Lab Facility, and \$485,000 at the Vince Bayou Receiving Station. Funding for these projects will be provided by the issuance of revenue bonds, the contribution of capital from the participants, or accumulated reserves.

Major initiatives. The Board of Directors, staff and consultants are currently working with other public and private entities across the United States as well as national associations in proposing certain changes in federal law to allow for tax-exempt financing of certain water, wastewater and air pollution control facilities.

Awards and Acknowledgments

The Authority's 40-Acre Facility received a Platinum Award, and the Bayport, Washburn Tunnel, Odessa South, and Blackhawk Facilities received a Silver Award for their compliance achievements during the 2016 operational year by the National Association of Clean Water Agencies.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to Gulf Coast Authority for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2016. This was the 30th consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated services of the entire staff of the Finance Department and our independent auditor. We would like to express our sincere appreciation to all employees who contributed to its preparation. We would also like to thank the Board of Directors for its support in planning and conducting the financial operations of the Authority in a responsible and progressive manner and the Audit Committee for its role in overseeing the audit process.

Respectfully submitted,



Lori Traweck
General Manager



Elizabeth Free, MBA, CGFO, CPM
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Gulf Coast Waste Disposal Authority
Texas

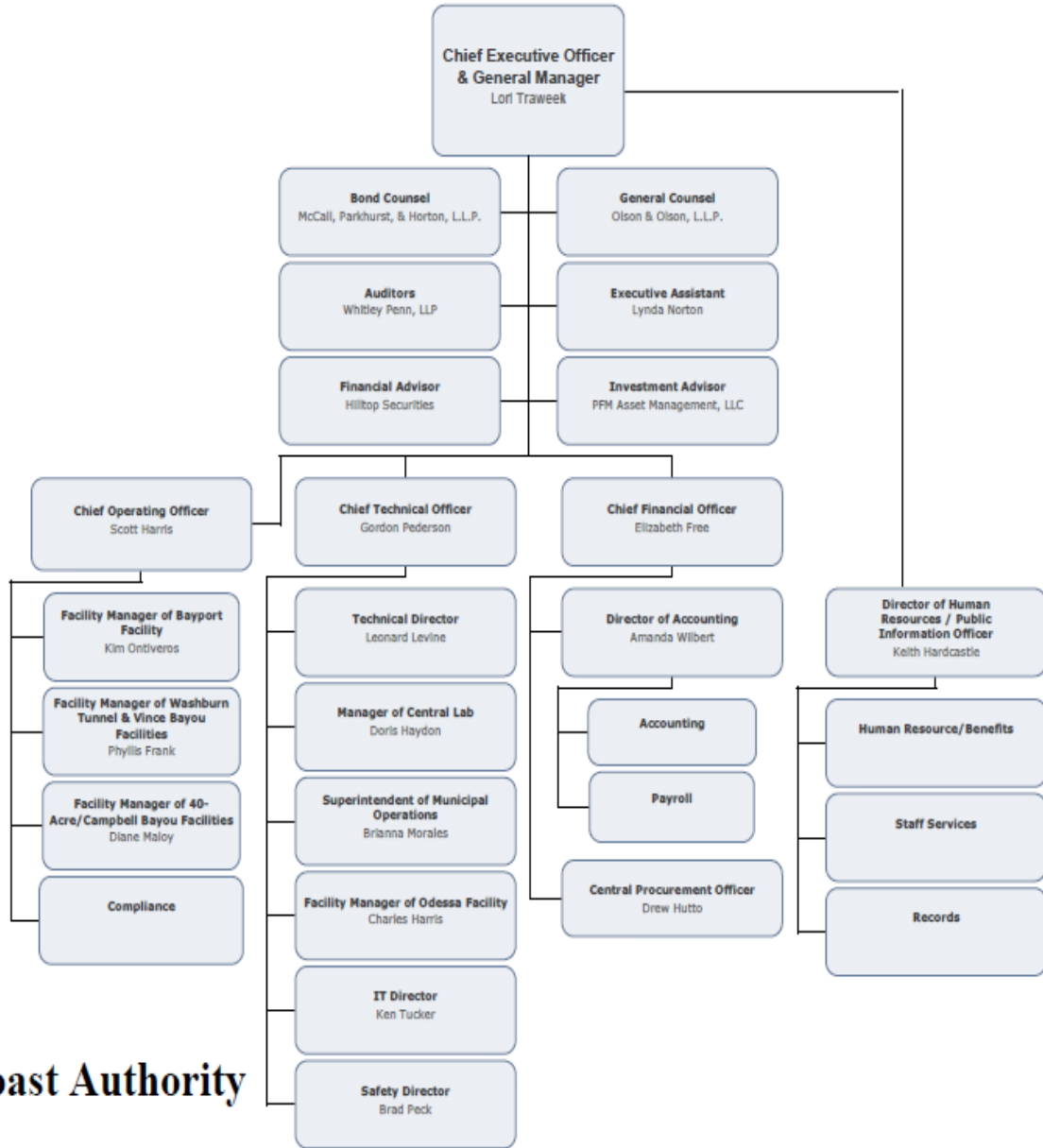
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

GULF COAST AUTHORITY
ORGANIZATIONAL CHART



Gulf Coast Authority

March 21, 2018

GULF COAST AUTHORITY
BOARD OF DIRECTORS

Chairman

Franklin D. R. Jones, Jr.
Representing Harris County

Appointed by County Commissioners Court

Vice Chairman

Rita Standridge
Representing Chambers County

Appointed by Consortium of Mayors

Treasurer

Irvin Osborne-Lee, Ph.D.
Representing Harris County

Appointed by Consortium of Mayors

Secretary

Stanley C. Cromartie
Representing Galveston County

Appointed by Governor

Directors

Nancy C. Blackwell
Representing Harris County

Appointed by Governor

Ron Crowder
Representing Galveston County

Appointed by Consortium of Mayors

J. Mark Schultz
Representing Chambers County

Appointed by County Commissioners Court

W. Chris Peden, CPA
Representing Galveston County

Appointed by County Commissioners Court

Lamont Meaux
Representing Chambers County

Appointed by Governor

GULF COAST AUTHORITY
COMMITTEE/BOARD ASSIGNMENTS **

INDUSTRIAL DEVELOPMENT BOARD

W. Chris Peden, CPA, President
Lori Traweek, Vice President
Elizabeth Free, Secretary

GOVERNANCE AND NOMINATING COMMITTEE

Stanley C. Cromartie, AIA, Chairman
Ron Crowder.
Irvin Osborne-Lee, Ph.D.
Mark Schultz
Rita Standridge

AUDIT COMMITTEE

Irvin Osborne-Lee, Ph.D., Chairman
Rita Standridge
Nancy C. Blackwell, P.E.
W. Chris Peden, CPA

BUDGET REVIEW COMMITTEE

Nancy C. Blackwell, P.E., Chairman
Lamont E. Meaux
Ron Crowder
W. Chris Peden, CPA

SPECIAL PROJECT COMMITTEE

Rita Standridge, Chairman
Lamont E. Meaux
W. Chris Peden, CPA
Nancy C. Blackwell, P.E.

BUSINESS DEVELOPMENT COMMITTEE

W. Chris Peden, CPA, Chairman
Ron Crowder
Irvin Osborne-Lee, Ph.D.
Mark Schultz
Stanley C. Cromartie, AIA

LEGISLATIVE COMMITTEE

Mark Schultz, Chairman
Stanley C. Cromartie, AIA
Rita Standridge
Lamont E. Meaux
Nancy C. Blackwell, P.E.
W. Chris Peden, CPA

** The Chairman, Franklin D. R. Jones, Jr., will be an ex-officio member of all committees with the right to discuss all matters before the committee at its called meeting

GULF COAST AUTHORITY
ADMINISTRATIVE STAFF AND CONSULTANTS

Senior Staff & Consultants

Chief Executive Officer/General Manager

Lori Traweek

Chief Financial Officer

Elizabeth Free, MBA, CGFO, CPM

Chief Operating Officer

Scott Harris

Chief Technical Officer

Gordon Pederson

Director of Accounting

Amanda Wilbert, CPA, CGFO, CFE

General Counsel

Olson & Olson, LLP
Houston, Texas

Bond Counsel

McCall, Parkhurst & Horton
Dallas, Texas

Financial Advisor

Hilltop Securities, Inc.
Houston, Texas

Auditors

Whitley Penn, LLP
Houston, Texas

General Office

Gulf Coast Authority
910 Bay Area Boulevard
Houston, Texas 77058

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of the Gulf Coast Authority (the “Authority”) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Gulf Coast Authority, as of December 31, 2017, and the respective changes in financial position, and where applicable, 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 4 through 9 and required other post-employment benefit system supplementary information on page 44 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 information sections 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.

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

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
April 10, 2018

GULF COAST AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gulf Coast Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Gulf Coast Authority for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal, which can be found on pages i - iv of this report.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These financial statements are comprised of three components: (1) the basic financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Overview of the Financial Statements

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, presented in a manner similar to that of a private-sector business.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources and liabilities, with the difference between the three reported as net position. Over time, 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 activities presents information showing how the Authority's net position changed during the most recent 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g., earned but unused vacation leave).

The government-wide financial statements show the activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The activities of the Authority include general services, wastewater treatment, and solid waste disposal. The government-wide financial statements can be found beginning on page 12.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into two categories: proprietary funds and fiduciary funds.

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

Proprietary funds. The Authority maintains two different types of proprietary funds: an enterprise fund and internal service funds. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise Fund

An enterprise fund is used to report the functions that are business-type activities. The Authority has one enterprise fund that is divided into thirteen divisions. These divisions are the General Services Division, Bayport Area System Facility Division, Blackhawk Regional Wastewater Treatment Facility Division, Campbell Bayou Facility Division, Central Laboratory Division, East Battleground Facility Division, 40-Acre Facility Division, Municipal Operations Division, Odessa South Regional Facility Division, Vince Bayou Division, Washburn Tunnel Facility Division, Washburn Tunnel Pipeline Services Division, and the Gulf Coast Industrial Development Authority ("GCIDA").

Internal Service Funds

Internal service funds are used to accumulate and allocate costs internally amongst the Authority's various divisions. The Authority uses internal service funds to account for payment of deductible amounts on casualty insurance claims, compensated absences, data processing, medical and dental benefits to Authority employees, participating dependents, and eligible retirees; equipment services; and governmental relations services regarding pretreatment legislation.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Combining Information and Statements section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the combined financial statements because resources of those funds are not available to support the Authority's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and can be found starting on page 21.

Other information. Immediately following the Notes to Financial Statements are the (1) Required Supplemental Information for the Other Post-Employment Benefits Trust, (2) Other Supplementary Information including combining financial statements by division and schedules of conduit debt issued and outstanding, (3) the Statistical Section and (4) the required Texas Supplementary Information.

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

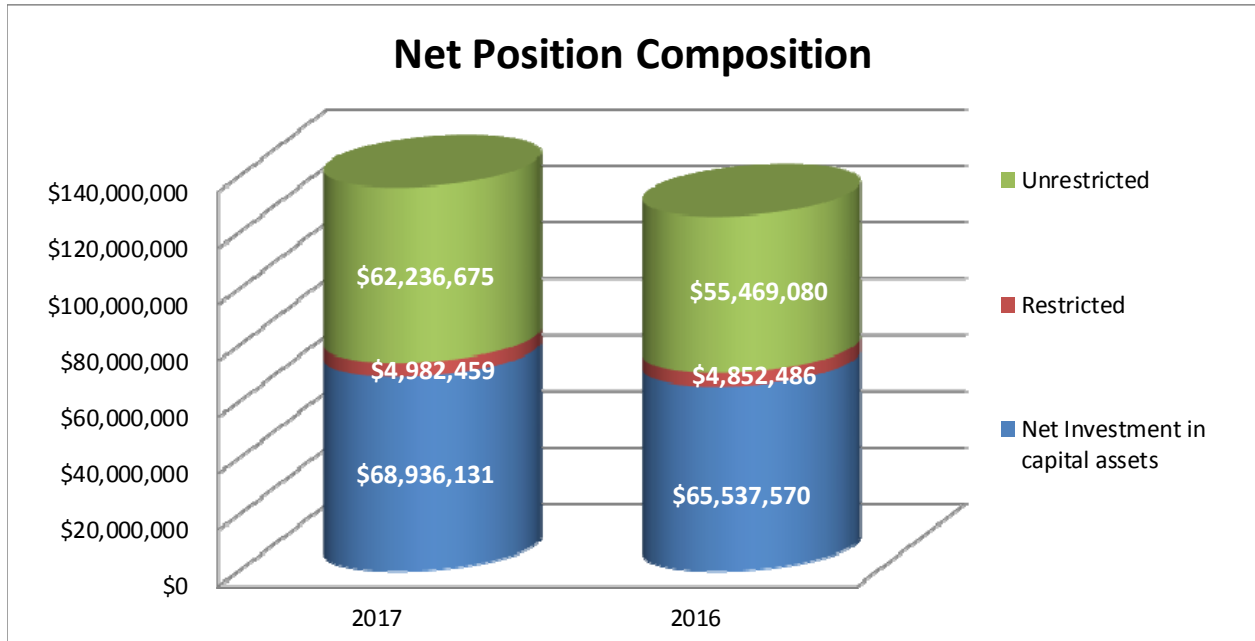
Government-wide Financial Analysis

As noted earlier, net position may serve as an indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$136.2 million at the close of the 2017 year.

Gulf Coast Authority
Net Position
December 31, 2017 with comparative totals for December 31, 2016

	2017	2016	Increase / (Decrease)	
			\$	%
Current and other assets	\$ 107,985,054	\$ 107,911,634	\$ 73,420	0.07%
Capital assets	113,423,221	109,181,650	4,241,571	3.88%
Total assets	221,408,275	217,093,284	4,314,991	1.99%
Total deferred outflows of resources	607,930	697,994	(90,064)	-12.90%
Long term liabilities	74,288,055	78,201,210	(3,913,155)	-5.00%
Other liabilities	11,572,885	13,730,932	(2,158,047)	-15.72%
Total liabilities	85,860,940	91,932,142	(6,071,202)	-6.60%
Net Position:				
Net Investment in capital assets	68,936,131	65,537,570	3,398,561	5.19%
Restricted	4,982,459	4,852,486	129,973	2.68%
Unrestricted	62,236,675	55,469,080	6,767,595	12.20%
Total Net Position	\$ 136,155,265	\$ 125,859,136	\$ 10,296,129	8.18%

The following chart depicts the composition of the Authority's net position as of December 31:



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

A majority of the Authority's \$136.2 million in net position is invested in capital assets (e.g., land, buildings, machinery, and equipment) less any remaining debt used to acquire those assets. The Authority's capital assets are used in operations to provide services to customers, participants and other governments; consequently, these assets are not available for future spending.

The 3.9% increase in net position invested in capital assets is primarily due to additions to capital assets of \$13.1 million. This was offset by the approximately \$8.9 million recognized in 2017 for depreciation expense on capital assets previously placed in service.

Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Authority's remaining net position is classified as restricted and unrestricted. Restricted net position is subject to restrictions for debt service and a contingency reserve. At year end, unrestricted net position was \$62.2 million, representing a 12.2% increase from 2016. Unrestricted net position may be used to meet the Authority's ongoing liabilities.

Current and other assets increased \$73,420 in 2017. This is essentially unchanged from the prior year, with a difference of less than a tenth of a percent.

The \$6.1 million (6.6%) decrease in total liabilities is primarily due to principal payments on bonds.

Total net position increased by \$10.3 million in 2017. The components of the changes in the net position are found in the following table:

Gulf Coast Authority
Changes in Net Position
Year ended December 31, 2017
With comparative totals for year ended December 31, 2016

	2017	2016	Increase / (Decrease)	
			\$	%
Revenues:				
Program revenues				
Charges for services	\$ 67,569,760	\$ 63,684,269	\$ 3,885,491	6.1%
Capital grants and contributions	3,511,433	2,870,910	640,523	22.3%
Total program revenues	71,081,193	66,555,179	4,526,014	6.8%
Unrestricted investment earnings (loss)	674,631	781,655	(107,024)	-13.7%
Total revenues	71,755,824	67,336,834	4,418,990	6.6%
Expenses:				
General services	1,292,295	1,342,428	(50,133)	-3.7%
Wastewater treatment	59,162,361	57,389,738	1,772,623	3.1%
Solid waste disposal	1,005,039	947,022	58,017	6.1%
Total expenses	61,459,695	59,679,188	1,780,507	3.0%
Change in Net Position	10,296,129	7,657,646	2,638,483	34.5%
Net Position, beginning	125,859,136	118,201,490	7,657,646	6.5%
Net Position, ending	\$ 136,155,265	\$ 125,859,136	\$ 10,296,129	8.2%

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

Capital grants and contributions increased in 2017 by \$0.6 million. Charges for services increased by \$3.9 million due primarily to increased wastewater flows from customers in 2017.

Unrestricted investment earnings decreased by \$107,024 due to a decrease in the amount of funds invested during 2017.

Total expenses increased by \$1.8 million during 2017 due primarily to an increase in treatment costs related to the increased volume of wastewater sent by customers.

Financial Analysis of the Authority's Funds. The proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital assets. The Authority's total capital assets as of December 31, 2017, totaled \$113.4 million (net of accumulated depreciation). These investments include land, buildings, waste treatment facilities and equipment, administrative furniture and equipment and construction in progress. The total increase in the Authority's capital assets for the current year was 3.9%. Depreciation expense for the year was \$8.9 million. Construction in progress increased \$11,609,542.

Gulf Coast Authority

Capital Assets (net of depreciation)

December 31, 2017 with comparative totals for December 31, 2016

	2017	2016	Increase/(Decrease)	
			\$	%
Land	\$ 5,174,541	\$ 5,174,541	\$ -	
Buildings	378,025	194,185	183,840	94.7%
Waste treatment facilities and equipment	82,716,309	90,380,028	(7,663,719)	-8.5%
Administrative furniture and equipment	1,431,568	1,319,660	111,908	8.5%
Construction in progress	23,722,778	12,113,236	11,609,542	95.8%
	<u>\$ 113,423,221</u>	<u>\$ 109,181,650</u>	<u>\$ 4,241,571</u>	<u>3.9%</u>

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

Major capital asset outlays during the year 2017 included the following:

<u>Capital Outlay Description</u>	<u>Capital Outlay</u>
Plant improvements at the Blackhawk Facility:	
Third Clarifier - Engineering	\$ 564,632
Third Clarifier - Construction	4,833,041
Plant improvements at the Bayport Facility:	
Belt Press 810 and 820 Rehabilitation	528,245
Belt Press 820 Rebuild	588,935
Biosan Pipeline Assessment and Upgrade	1,425,567
Organic Capacity Evaluation and Upgrade	2,022,199
RAS Piping Project	1,362,557
In Plant Piping Project	10,516,012
Data Processing Services	
Microsoft Dynamics AX Software	619,009
	<u>\$ 22,460,197</u>

Additional information on the Authority's capital assets can be found in Note III E in the Notes to the Financial Statements of this report.

Debt

At the end of the current year, the Authority had \$60 million in debt outstanding compared to \$64 million last year.

The Authority's Bayport area system revenue bonds have an "AA" rating by Standard & Poor's.

Additional information on the Authority's long-term debt and capital leases can be found in Note III F in the Notes to the Financial Statements of this report.

Economic Factors and Next Years' Rates

According to the U.S. Census Bureau, the current unemployment rate for the Houston Area is 4.3%. This compares to the national rate of 3.9% and the Texas rate of 3.9%. This has been due to the recent downturn in the oil and gas industry. However, the Greater Houston Partnership forecasts the 10-county Houston metro area will create 45,500 jobs in 2018 which will bring its employment to 3.1 million jobs. The Houston area is currently experiencing a healthy growth in capital expenditures in the chemical industry which will have a positive impact on the Authority's operating revenues.

The Board of Directors approved a small rate increase for the Bayport Area System Facility Division for year 2018.

Requests for Information

This financial report is designed to provide a general overview of the Gulf Coast Authority's finances for anyone with an interest in 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 Chief Financial Officer, 910 Bay Area Boulevard, Houston, Texas 77058.

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BASIC FINANCIAL STATEMENTS

GULF COAST AUTHORITY*Statement of Net Position**December 31, 2017*

	Business Type Activities
Assets	
Cash and cash equivalents	\$ 7,906,950
Marketable securities	56,149,874
Receivables, net	14,308,390
Prepays	857,508
Restricted assets:	
Cash and cash equivalents	27,674,621
Marketable securities	1,085,382
Accrued interest	2,329
Capital assets not being depreciated:	
Land	5,174,541
Construction in progress	23,722,778
Capital assets net of accumulated depreciation:	
Plant and equipment	84,525,902
Total assets	221,408,275
Deferred Outflows of Resources	
Deferred loss on refunding	607,930
Liabilities	
Current liabilities:	
Accounts payable	6,336,878
Wages payable	482,075
Accrued bond interest	704,084
Unearned revenue	4,049,848
Noncurrent liabilities:	
Due within one year	5,739,430
Due in more than one year	66,881,445
Working capital deposits	1,667,180
Total liabilities	85,860,940
Net Position	
Net investment in capital assets	68,936,131
Restricted:	
Debt service	4,311,681
Contingency reserve	670,778
Unrestricted	62,236,675
Total Net Position	\$ 136,155,265

See notes to the financial statements

GULF COAST AUTHORITY*Statement of Activities - Business Type Activities**For the year ended December 31, 2017*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
General services	\$ 1,292,295	\$ 1,821,844	\$ -	\$ 529,549
Wastewater treatment	59,162,361	64,771,316	3,511,433	9,120,388
Solid waste disposal	1,005,039	976,600	-	(28,439)
	<u>\$ 61,459,695</u>	<u>\$ 67,569,760</u>	<u>\$ 3,511,433</u>	<u>9,621,498</u>
	Unrestricted investment earnings			<u>674,631</u>
	Change in Net Position			10,296,129
	Beginning Net Position			<u>125,859,136</u>
	Ending Net Position			<u>\$ 136,155,265</u>

See notes to the financial statements

GULF COAST AUTHORITY
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2017

	Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,914,498	\$ 992,452
Marketable securities	49,092,149	7,057,725
Receivables, net	14,308,390	-
Prepays	499,238	358,270
Restricted assets:		
Cash and cash equivalents	27,674,621	-
Marketable securities	1,085,382	-
Accrued interest	2,329	-
Total current assets	<u>99,576,607</u>	<u>8,408,447</u>
Noncurrent Assets:		
Capital assets:		
Land	5,174,541	-
Construction in progress	23,103,769	619,009
Plant and equipment	265,705,228	6,721,508
Less accumulated depreciation	<u>(182,677,956)</u>	<u>(5,222,878)</u>
Total capital assets (net of accumulated depreciation)	<u>111,305,582</u>	<u>2,117,639</u>
Total noncurrent assets	<u>111,305,582</u>	<u>2,117,639</u>
Total assets	<u>210,882,189</u>	<u>10,526,086</u>
Deferred Outflows of Resources		
Deferred loss on refunding	<u>607,930</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,320,102	\$ 16,776
Wages payable	482,075	-
Accrued bond interest	704,084	-
Current portion of accrued compensated absences	-	1,408,838
Current portion of bonds payable	4,330,592	-
Unearned revenue	<u>4,049,848</u>	<u>-</u>
Total current liabilities	<u>15,886,701</u>	<u>1,425,614</u>
Noncurrent liabilities:		
Accrued compensated absences	-	1,306,374
Net OPEB obligation	-	2,232,263
Bonds payable (net of unamortized discount)	63,342,808	-
Working capital deposits	<u>1,667,180</u>	<u>-</u>
Total noncurrent liabilities	<u>65,009,988</u>	<u>3,538,637</u>
Total liabilities	<u>80,896,689</u>	<u>4,964,251</u>
Net Position		
Net investment in capital assets	66,818,492	2,117,639
Restricted:		
Debt service	4,311,681	-
Contingency reserve	670,778	-
Unrestricted	<u>58,792,479</u>	<u>3,444,196</u>
Total Net Position	<u>130,593,430</u>	<u>\$ 5,561,835</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund	<u>5,561,835</u>	
Net Position of the business-type activities	<u>\$ 136,155,265</u>	

See notes to the financial statements

GULF COAST AUTHORITY**PROPRIETARY FUNDS****Statement of Revenue, Expenses, and Changes in Fund Net Position****For the year ended December 31, 2017**

	Enterprise Fund	Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues		
Charges for sales and services		
Services to industries	\$ 62,969,599	\$ -
Services to municipalities	2,816,964	-
Intragovernmental	-	3,691,175
Other	1,783,197	711,368
Total operating revenues	<u>67,569,760</u>	<u>4,402,543</u>
Operating expenses		
Costs of sales and services	46,852,819	1,305,316
Administration	3,577,296	2,800,836
Depreciation	8,448,619	403,760
Total operating expenses	<u>58,878,734</u>	<u>4,509,912</u>
Operating income (loss)	<u>8,691,026</u>	<u>(107,369)</u>
Nonoperating revenues (expenses)		
Investment income (loss)	629,283	45,348
Interest expense	(2,573,376)	(917)
Gain (loss) on disposal of capital assets	(589)	101,290
Insurance proceeds	814	-
Total nonoperating expenses	<u>(1,943,868)</u>	<u>145,721</u>
Income (loss) before contributions	6,747,158	38,352
Capital contributions	3,510,619	-
Income (loss) after contributions	<u>10,257,777</u>	<u>38,352</u>
Changes in Net Position	10,257,777	38,352
Beginning Net Position	<u>120,335,653</u>	<u>5,523,483</u>
Ending Net Position	<u>\$ 130,593,430</u>	<u>\$ 5,561,835</u>
Change in Net Position of enterprise fund	\$ 10,257,777	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund	<u>38,352</u>	
Change in net position of business-type activities	<u>\$ 10,296,129</u>	

See notes to the financial statements

GULF COAST AUTHORITY
PROPRIETARY FUNDS
Statement of Cash Flows
Year ended December 31, 2017

	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 64,797,576	\$ 711,368
Receipts from intragovernmental users	-	3,691,175
Payments to suppliers	(29,531,907)	(3,672,172)
Payments to employees	(20,418,964)	(76,013)
Payments to intragovernmental suppliers	(1,772,022)	-
Net cash provided by operating activities	<u>13,074,683</u>	<u>654,358</u>
Cash Flows from Noncapital Financing Activities		
Interest received (paid) on intragovernmental loan	-	(917)
Interest received on note receivable	319,102	-
Principal received on note receivable	315,273	-
Net cash provided (used) by noncapital financing activities	<u>634,375</u>	<u>(917)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(12,199,153)	(894,572)
Proceeds from sale of capital assets	-	101,290
Retirement of bonds	(3,730,000)	-
Interest paid on capital related debt	(2,969,065)	-
Capital contributions received from participants	3,510,619	-
Net cash provided (used) by capital and related financing activities	<u>(15,387,599)</u>	<u>(793,282)</u>
Cash Flows from Investing Activities		
Maturity (purchase) of investments	2,624,229	202,963
Interest received (paid)	307,851	45,348
Net cash used by investing activities	<u>2,932,080</u>	<u>248,311</u>
Net increase (decrease) in cash and cash equivalents	1,253,539	108,470
Beginning cash and cash equivalents	<u>33,335,580</u>	<u>883,982</u>
Ending cash and cash equivalents	<u>\$ 34,589,119</u>	<u>\$ 992,452</u>
Ending cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 6,914,498	\$ 992,452
Restricted cash and cash equivalents	27,674,621	-
	<u>\$ 34,589,119</u>	<u>\$ 992,452</u>

See notes to the financial statements

GULF COAST AUTHORITY**PROPRIETARY FUNDS****Statement of Cash Flows****For the year ended December 31, 2017***Page 2 of 2*

	Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 8,691,026	\$ (107,369)
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	8,448,619	403,760
Changes in Operating Assets and Liabilities		
(Increase) decrease in assets:		
Accounts receivable, net	(2,052,066)	-
Prepays	11,876	188,644
Increase (decrease) in liabilities:		
Wages payable	25,593	16,530
Accounts payable	(1,330,247)	(251,386)
Net OPEB obligation	-	404,179
Unearned revenue	(566,844)	-
Working capital deposits	(153,274)	-
Net cash provided by operating activities	<u>\$ 13,074,683</u>	<u>\$ 654,358</u>

See notes to the financial statements

GULF COAST AUTHORITY

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2017

	<u>Other Employee Benefit Trust Fund</u>	<u>Agency Fund</u>
	Gulf Coast Authority	
	<u>Other Post Employment Benefit Trust</u>	<u>Employee Flexible Spending Agency Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 294,681
Investments, at fair value:		
Marketable securities	6,692,002	-
Total Assets	<u>6,692,002</u>	<u>294,681</u>
Liabilities		
Due to others	-	294,681
Total Liabilities	<u>-</u>	<u>\$ 294,681</u>
Net Position		
Held in trust for other postemployment benefits	6,692,002	
Total Net Position	<u>\$ 6,692,002</u>	

See notes to the financial statements

GULF COAST AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For the year ended December 31, 2017

	Other Employee Benefit Trust Fund <hr/> Gulf Coast Authority Other Post Employment Benefit Trust <hr/>
Additions	
Employer contributions	\$ 484,794
Investment income:	
Net appreciation/(depreciation) in fair value of investments	762,663
Net investment income	<hr/> 762,663
Total additions	<hr/> 1,247,457
Change in Net Position	1,247,457
Beginning Net Position	<hr/> 5,444,545
Ending Net Position	<hr/> <hr/> \$ 6,692,002

See notes to the financial statements

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GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Gulf Coast Authority (the "Authority") is a separate self-supporting governmental unit, a political subdivision and special district of the state of Texas. The Authority was established in 1969 by the State Legislature under Article XVI, Section 59, of the Texas Constitution as a conservation and reclamation district. The Authority is governed by a nine-member Board of Directors comprised of appointees from Harris, Galveston, and Chambers Counties, the three counties in the Authority's statutory district.

The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies conform to generally accepted accounting principles in the United States of America ("GAAP") as applicable to governments and should be viewed as an integral part of the accounting financial statements. GAAP for state and local governments is promulgated by the Governmental Accounting Standards Board ("GASB"), and the Financial Accounting Standards Board ("FASB"), where applicable.

Blended Component Unit. For financial reporting purposes, the Authority includes all funds and the Gulf Coast Industrial Development Authority ("GCIDA") for which the Authority Board of Directors is financially accountable. In compliance with GASB Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial statements of the reporting entity include those of the Authority (the primary government) and its blended component unit, GCIDA.

GCIDA was created by the Authority in 1979 under the provisions of the Development Corporation Act of 1979. As stated in its Articles of Incorporation, "GCIDA was organized exclusively for the purposes of benefiting and accomplishing the public purposes of, and to act on behalf of, the Gulf Coast Authority and the specific purposes for which the Corporation was created."

The Board of Directors of the Authority appoints the entire three-member GCIDA Board of Directors and may, for cause or at will, remove the Corporation's three-member governing board. The GCIDA Board of Directors appointed by the Authority has always been comprised entirely of the Authority's Board members and management. Accordingly, the governing bodies of both entities are "substantially the same" providing the Authority sufficient representation to allow complete control of GCIDA. In addition, the Authority has operational responsibilities for the component unit; the Authority approves all specific transactions of GCIDA and has the authority to amend GCIDA's Articles of Incorporation, terminate, or dissolve the Corporation. GCIDA is reported as a blended component unit.

B. Government-wide and Fund Financial Statements

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present the Business Type Activities for the Authority as a whole. Fiduciary Activities are not included in these statements. Internal service fund activity is eliminated to avoid duplicating revenues and expenses.

In the government-wide statement of net position, business-type activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority. Direct expenses are those that are specifically associated with a program or function and therefore, clearly identifiable to a particular function. Functional revenues include charges paid by the recipients for goods and services offered by the function. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

Fund financial statements of the Authority are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: proprietary and fiduciary.

The Authority reports the following proprietary fund types:

Enterprise Fund. This fund accounts for the operations of the Authority's three functions: general services, wastewater treatment and solid waste disposal. It includes the following divisions of the Authority: the General Services Division, Bayport Area System Facility Division, Blackhawk Regional Wastewater Treatment Facility Division, Campbell Bayou Facility Division, Central Laboratory Division, East Battleground Facility Division, 40-Acre Facility Division, Municipal Operations Division, Odessa South Regional Facility Division, Vince Bayou Division, Washburn Tunnel Facility Division, Washburn Tunnel Pipeline Services Division and the Gulf Coast Industrial Development Authority (GCIDA) Division. These divisions account for all of the business-type activities of the Authority.

Internal Service Funds. These funds account for payment of compensated absences; for the deductible amounts on casualty insurance claims; for medical, dental, and vision benefits to Authority employees, participating dependents, and eligible retirees; for equipment services; for data processing; and for lobbying efforts for pretreatment legislation on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund financial statements include a statement of net position and a statement of changes in fiduciary net position. The Authority uses trust funds to account for resources held for the benefit of parties outside the Authority. The fiduciary fund is presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The Authority reports the following fiduciary funds:

Gulf Coast Authority Other Post Employment Benefit Trust Fund. This is a trust established to accumulate money needed to pay post-employment benefits to the Authority's eligible retirees. The fund is administered by the International City Managers Association Retirement Corporation.

Employee Flexible Spending Agency Fund. This is an agency fund established to hold employee contributions to flexible spending accounts. Contributions are made from biweekly payroll deductions. Employees can spend their full annual contributions at any time during the year, so the Authority has contributed \$300,000 to the fund to cover payments made during the year that exceed the year-to-date contributions. The fund is administered by UnitedHealth care.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

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

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. In government-wide financial statements, business-type activities are presented using the "economic resources" measurement focus as defined below. In the fund financial statements, "economic resources" measurement focus is also used as appropriate.

The enterprise and trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.

All primary sources of the Authority's revenue are susceptible to accrual. Examples of revenue accrued are fees for services, charges to participants based on cost-reimbursement contracts, and earnings from investments. The Authority receives no revenue from taxes. Unbilled receivables are recorded for services rendered but not yet invoiced as of the end of each accounting period. For those divisions where services are rendered on a cost-reimbursement basis, unbilled receivables consist primarily of variances between periodic budget billings and actual expenditures. These include the Blackhawk Regional Wastewater Treatment Facility Division, Campbell Bayou Facility Division, 40-Acre Facility Division and Washburn Tunnel Facility Division. For those divisions whose services are rendered on a fee basis, unbilled receivables consist primarily of charges for services performed in the current month which are invoiced the following month. The General Services Division, Bayport Area System Facility Division, Central Laboratory Division, Municipal Operations Division, Odessa South Regional Facility Division, and Vince Bayou Division make up this category. In the Employees' Health Care Internal Service Fund, an estimate of costs for claims incurred but not yet reported is accrued as of the date of the financial statements.

Unearned revenues arise when resources are received before earned. Billings in the current year for budgeted expenditures of pollution control facilities operated on a cost-reimbursement basis are not earned until the expenditures are incurred. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has earned the resources, the liability for unearned revenue is reduced accordingly and revenue is recognized.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary division's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services along with penalties and fees. 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 non-operating revenues and expenses.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity

1. Cash, Cash Equivalents and Investments

Cash is defined as currency, demand deposits with banks and other financial institutions, and any other kind of account that has the general characteristics of demand deposits where funds may be added or withdrawn at any time without penalty or prior notice. Cash equivalents are defined as liquid investments that are both readily convertible to known amounts of cash and so near their maturity they present insignificant risk or changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition.

The Authority reports all investments at fair-value, except for investment positions in external investment pools, such as Texas CLASS, which are reported at amortized cost. The Texas CLASS Board of Trustees, which is comprised of active members of the pool and elected by the participants guided by the Advisory Board, oversees the management of Texas CLASS. The State Comptroller of Public Accounts oversees Texpool. Texas TERM is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services. Federated Investors is the full service provider to the pools managing the assets providing participant services, and arranging for all custody and other functions in support of the pool's operations under contract with the Comptroller.

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 Authority reports all investments, except external investment pools, at fair value based on quoted market prices at year-end date. 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.

2. Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund loan receivable and payables on the statement of net position.

3. Inventories

The Authority's facilities maintain inventories of parts and supplies available as needed for operation of the facilities. Any equipment included in those inventories is subject to the Authority's capitalization policy and is included as capital assets in the statement of net position. There is no other significant inventory and; therefore, no inventory is recorded on the balance sheet or statement of net position.

4. Prepayments

Prepayments for services and insurance that will benefit periods beyond the current period are reflected as prepaid expenses.

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

5. Capital Assets

Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. Capital assets are recorded at historical cost and depreciated over estimated useful lives unless they are inexhaustible, such as land. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Depreciation expense is reported in the government-wide statement of activities and the proprietary fund statement of revenues, expenses, and changes in fund net position.

Capital assets are defined as items of property that:

- a. Are tangible in nature;
- b. Have an economic useful life longer than two years;
- c. Maintain their identities throughout their useful lives, either as separate entities or as identifiable components, and;
- d. Have an original cost of \$5,000 or more.

Depreciation is recorded using the straight-line method over the estimated service lives as follows:

Computers and computer equipment	3-5 Years
Cranes, mobile units, motor vehicles, and other equipment	3-10 Years
Aerators, pumps, and electrical equipment	5-10 Years
Pipelines	10-20 Years
Buildings, roads and fences	10-30 Years
Ponds, basins, lift stations, clarifiers, dikes, and channels	10-40 Years
Tanks	15-20 Years

6. Compensated Absences

Vacation is granted in varying amounts depending upon length of service. Employees must take two weeks of vacation each year after the first year of employment. Employees may carry over a maximum of 360 hours of vacation from one calendar year to the next. Once an employee reaches the maximum, he/she will be allowed to accrue time in the next year, with any hours in excess of the 360 being paid to the employee's Retirement Health Savings Account.

Leave is granted at the rate of 15 days per year and may be accumulated up to a total of 90 days. When the maximum has been reached, the employee is paid in January of each year for the number of leave hours exceeding 720 (90 days). Active employees are eligible to be paid for one-half of accrued hours in excess of 720 at their current pay rate. An employee who terminates employment after six months of service or who retires will be compensated for one-half of total accrued hours at the employee's termination date.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

6. Compensated Absences (continued)

During the 1987 year, the Authority established the Compensated Absence Fund, an internal service fund, to accumulate money to pay liabilities for compensated absences. The total vested liability to all Authority employees for vacation and leave is recorded in this internal service fund. Every pay period, the Enterprise Fund pays to the Compensated Absence Fund the current value of the accrued compensated absences earned by the employees during that pay period.

7. Net Position

Net Position Flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Intragovernmental Transactions

Transactions that would be treated as revenue or expense if they involved organizations external to the Authority are similarly treated when involving funds of the Authority. Major transactions that fall into this category include payments for services and rental of equipment to the Equipment Services Fund, payments for computer services to the Data Processing Fund, and payments in lieu of insurance premiums to the Employees’ Health Care Fund.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as, reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, and other accounts. Actual results may differ from these estimates.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

II. Stewardship and Accountability

A. Financial Plan

The estimates of revenues and expenses for the Authority's operating divisions are presented annually to the Authority's Board of Directors for adoption. In the case of the Bayport Area Facility Division and the Odessa South Regional Facility Division, the Board establishes rates for the treatment of waste received from the facilities customers. Although the Bayport Area Facility Division and the Odessa South Regional Facility Division budgets are presented annually to all the participants of those facilities for their review, the financial plan does not become a legal document. Additionally, the financial plan of the Blackhawk Regional Wastewater Treatment Facility Division, Campbell Bayou Facility Division, 40-Acre Facility Division and Washburn Tunnel Facility Division are approved by the industries or municipalities that the facilities serve; however, the financial plan is only a management tool and does not become a legal document. These non-appropriated financial plans are prepared for management control and are not presented in these financial statements.

III. Detailed Notes on All Funds

A. Deposits and Investments

As of December 31, 2017, the Authority had the following investments:

Investment Type	Fair Value / Amortized Cost	Percentage of Portfolio	Weighted Average Maturity (Days)
U.S. Agencies			
FNMA	\$ 7,754,512	10%	677
FHLMC	3,870,166	5%	519
FHLB	1,522,199	2%	686
U.S. Treasury Notes	17,798,200	22%	858
Certificates of Deposit	3,691,462	5%	757
Municipal Securities	3,437,240	4%	543
Commercial Paper	5,626,182	7%	164
State Pools			
Texpool	248,346	0.3%	44
Texas TERM	23,084,002	29%	50
Texas CLASS	12,602,096	16%	53
Total fair value	\$ 79,634,405	100%	
Portfolio weighted average maturity			389

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The Authority's investments fair value measurements are as follows as December 31, 2017:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Agencies	\$ 13,146,877	\$ -	\$ 13,146,877	\$ -
U.S. Treasury Notes	17,798,200	17,798,200	-	-
Certificates of Deposit	3,691,462	-	3,691,462	-
Municipal Securities	3,437,240	-	3,437,240	-
Commercial Paper	5,626,182	-	5,626,182	-
	<u>\$ 43,699,961</u>	<u>\$ 17,798,200</u>	<u>\$ 25,901,761</u>	<u>\$ -</u>

Interest rate risk. In accordance with its investment policy, the Authority manages exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk. State law and the Authority's investment policy limits investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of December 31, 2017, the Authority's investments were in compliance with State law and the Authority's investment policy as noted in the table on the following page.

Concentration of credit risk. The Authority's investment policy does not allow for an investment in any one issue that is in excess of 50% of the portfolio's total investments.

Custodial credit risk - deposits. In the case of deposits, the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of December 31, 2017, total bank balances were \$9,234,932 and had a carrying value of \$8,273,127. Of that, \$250,000 was covered by FDIC by FDIC insurance and the remaining was covered by pledged securities.

Custodial credit risk - investments. For an investment, the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that is in the possession of an outside party. The Authority's investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Authority's safekeeping account prior to the release of funds.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The Table below presents the Authority's investments classified by credit rating from a national rating agency.

Investment Type	Fair Value / Amortized Cost	Credit Rating	
		Standard & Poor's	Moody's
U.S. Agencies			
FNMA	\$ 7,754,512	AA+	-
FHLMC	3,870,166	AA+	-
FHLB	1,522,199	AA+	-
U.S. Treasuries	17,798,200	AA+	-
Municipal Securities	734,233	A	-
Municipal Securities	1,308,997	AA	-
Municipal Securities	645,847	AA-	-
Municipal Securities	748,163	-	Aa3
Commercial Paper	4,977,680	A-1	
Commercial Paper	648,502	A-1+	
State Pools			
Texpool	248,346	AAAm	-
Texas TERM	23,084,002	AAAm	-
Texas CLASS	12,602,096	AAAm	-
Total fair value	<u>\$ 75,942,943</u>		

Investment income for the year ended December 31, 2017 is comprised of the following:

Interest and Dividends	\$ 1,048,967
Realized gains (losses)	(25,958)
Unrealized loss	(348,378)
	<u>\$ 674,631</u>

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

B. Receivables

Receivables at year-end consist of the following:

	<u>Business Type Activities</u>	
	<u>Current</u>	<u>Non-Current</u>
Accounts receivable	\$ 9,136,158	\$ -
Unbilled receivables	13,496	-
Accrued revenue	5,169,457	-
Allowance for doubtful accou	(144,649)	-
Other receivables	133,928	-
	<u>\$ 14,308,390</u>	<u>\$ -</u>

During 2007, the Bayport Area Facility Division entered into a promissory note with one of its customers for its overdue balance. The note bore interest at 7.25% per annum on the outstanding balance. The note was repayable in installments equal to all revenues that the Bayport customer received from one of its internal customers and an additional 50% of the revenues the Bayport customer received over \$5,500 per month. As of December 31, 2015, the note was assumed by another Bayport customer. This customer made payments in equal monthly installments beginning January 2016. The payments were to continue for 15 years at a rate of 4.25% per annum. In August 2017, the customer elected to pay the remaining balance of \$305,534 and the note has been paid in full as of December 31, 2017.

C. Restricted Assets

Restricted assets as reported on the Statement of Net Position as of December 31, 2017, are as follows:

Restricted Assets:	
Cash and cash equivalents	\$ 27,674,621
Marketable securities	1,085,382
Accrued interest	2,329
	<u>\$ 28,762,332</u>
Restricted for:	
Debt service	\$ 5,015,765
Capital projects	23,075,789
Contingency reserve	670,778
	<u>\$ 28,762,332</u>

Bayport Area System

The Bayport Area System Revenue Bonds Series 1996 Resolution requires that the "Pledged Revenues of the System" (the "System") shall be deposited into the revenue fund. The System is required to maintain a reserve fund in an amount equal to the average annual debt service requirements of all the outstanding bonds. Whenever the fund contains less than the required amount, the System shall transfer monthly from the revenue fund a sum of at least 1/60th of the balance of the required amount until the reserve fund requirement is attained. At year-end, reserve fund assets were invested in a U.S. government securities mutual fund.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

C. Restricted Assets (continued)

Restricted for debt service	<u>\$ 5,015,765</u>
Average annual debt service	<u>\$ 4,640,346</u>

As of December 31, 2017, \$23,284,793 and \$495,080 in remaining unspent capital project funds from the Bayport Area System Revenue Bonds and the Washburn Tunnel Facility, respectively, is reported as restricted assets on the Statement of Net Position.

Blackhawk Regional Wastewater Treatment

The Regional Waste Disposal Facility Contract between the participants of the Blackhawk Regional Wastewater Treatment Facility and the Authority establishes a contingency reserve to cover ordinary and extraordinary repairs, capital replacement costs, improvements or betterments of the plant. The reserve is increased on a yearly basis by an amount equal to 1% of the participant's share of the operating expenditures. During the year ended December 31, 2017, the increase to the reserve was \$62,908 from the participants. The restricted assets as reported on the Statement of Net Position as of December 31, 2017 was \$670,778.

D. Capital Assets

Capital asset activity for the year ended is as shown below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,174,541	\$ -	\$ -	\$ 5,174,541
Construction in progress	<u>12,113,236</u>	<u>11,684,827</u>	<u>(75,285)</u>	<u>23,722,778</u>
Total capital assets not being depreciated	<u>17,287,777</u>	<u>11,684,827</u>	<u>(75,285)</u>	<u>28,897,319</u>
Capital assets being depreciated:				
Waste treatment facilities and equipment	263,539,213	784,806	(545,530)	263,778,489
Office buildings	1,114,131	183,840	-	1,297,971
Administrative furniture and equipment	<u>6,990,857</u>	<u>554,571</u>	<u>(195,152)</u>	<u>7,350,276</u>
Total capital assets being depreciated	271,644,201	1,523,217	(740,682)	272,426,736
Less accumulated depreciation for:				
Waste treatment facilities and equipment	(173,159,185)	(8,421,184)	518,189	(181,062,180)
Office buildings	(943,326)	(19,362)	25,011	(937,677)
Administrative furniture and equipment	<u>(5,647,817)</u>	<u>(411,833)</u>	<u>158,673</u>	<u>(5,900,977)</u>
Total accumulated depreciation	<u>(179,750,328)</u>	<u>(8,852,379)</u>	<u>701,873</u>	<u>(187,900,834)</u>
Total capital assets being depreciated, net	<u>91,893,873</u>	<u>(7,329,162)</u>	<u>(38,809)</u>	<u>84,525,902</u>
Capital Assets, net	<u>\$ 109,181,650</u>	<u>\$ 4,355,665</u>	<u>\$ (114,094)</u>	<u>\$ 113,423,221</u>

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type	
General services	\$ 27,436
Wastewater treatment	8,391,951
Solid waste disposal	29,232
In addition, depreciation on capital assets held by the Authority's internal service fund is charged to the various functions based on their usage of assets	<u>403,760</u>
Total depreciation expense	<u><u>\$ 8,852,379</u></u>

Construction in progress and remaining commitments under related construction contracts at year-end were as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Blackhawk Facility			
Preliminary Engineering - Third Clarifier	\$ 120,100	\$ 120,100	\$ -
Engineering Service - Third Clarifier	625,589	564,632	60,957
Third Clarifier - Construction	5,020,000	4,833,041	186,959
Washburn Tunnel Facility			
Upgrade Process Sludge Pumps	255,000	174,951	80,049
Campbell Bayou Facility			
Cells Expansion at Campbell Bayou	707,700	683,107	24,593
Bayport Facility			
In-Plant Piping Project	12,340,000	10,516,011	1,823,989
RAS Piping Project	4,560,800	1,362,557	3,198,243
Belt Press 810 and 820 Rehabilitation	700,000	528,245	171,755
Belt Press 820 Rebuild	750,000	588,935	161,065
DTB Pumps Upgrade	150,000	46,704	103,296
Replacement of Clarifier 1.2.3 Motor Control Centers	500,000	59,103	440,897
Organic Capacity Evaluation and Upgrade	13,000,000	2,022,199	10,977,801
Biosan Pipeline Assessment and Upgrade	11,750,000	1,425,567	10,324,433
Central Laboratory			
HVAC Upgrade	2,650,000	178,617	2,471,383
Data Processing Services			
Microsoft Dynamics AX Software	1,000,000	619,009	380,991
Totals	<u><u>\$ 54,129,189</u></u>	<u><u>\$ 23,722,778</u></u>	<u><u>\$ 30,406,411</u></u>

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt

Bayport Area System Revenue Bonds

The bonds outstanding at December 31, 2017, consist of Refunding Bonds, Series 2002, maturing October 1, 2015, with an interest rate of four percent to five percent, originally issued at \$24,025,000; Revenue Bonds, Series 2013, maturing on October 1, 2033, with interest rates of three percent to five percent, originally issued at \$43,375,000; and Revenue Bonds, Series 2015, maturing October 1, 2033, with an interest rate of two percent to five percent, originally issued at \$25,770,000. The annual requirements to amortize all outstanding Bayport Area System Revenue Bonds as of year-end, including interest payments, are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	3,880,000	2,816,338	6,696,338
2019	4,070,000	2,631,138	6,701,138
2020	4,255,000	2,436,788	6,691,788
2021	4,455,000	2,233,538	6,688,538
2022	4,680,000	2,010,788	6,690,788
2023	4,325,000	1,776,788	6,101,788
2024	4,540,000	1,560,538	6,100,538
2025	2,430,000	1,333,538	3,763,538
2026	2,525,000	1,236,538	3,761,538
2027	2,625,000	1,135,488	3,760,488
2028	2,760,000	1,004,238	3,764,238
2029	2,890,000	866,238	3,756,238
2030	3,040,000	721,738	3,761,738
2031	3,190,000	569,738	3,759,738
2032	3,330,000	431,962	3,761,962
2033	3,470,000	287,944	3,757,944
2034	1,865,000	137,750	2,002,750
2035	1,935,000	70,144	2,005,144
Total	<u>\$ 60,265,000</u>	<u>\$ 23,261,232</u>	<u>\$ 83,526,232</u>

The bonds outstanding are special obligations of the Authority which are secured by a first lien on the "Pledged Revenues of the Bayport Area System Facility," as defined below. The bonds are also secured by all monies in the Bond Fund and the Reserve Fund, subject to the use of such funds for the purposes specified in the Bond Resolution. The holder of the bonds shall never have the right to demand payment of the bonds from monies derived or to be derived from taxation or any other revenues except the Pledged Revenues. Neither the facilities owned by the Authority nor any other property of the Authority is encumbered by any lien for the benefit of the holder of the bonds. The bonds are payable solely from revenues pledged to their payment and shall not be considered as general obligations of the Authority, the governing body of the Authority or the State of Texas.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

The "Pledged Revenues" are defined as the "Net Revenues of the System" and any additional revenues, income receipts, deposits, or other resources which the Authority may at its option include. The "Net Revenues of the System" are defined as the "Gross Revenues of the System" less the "Current Expenses of the System."

The "Gross Revenues of the System" include all of the revenues of every nature derived from the operations of the System including all investment income for any fund created by the Bond Resolution to the extent such income is credited to the "Gross Revenues of the System" as required by the Bond Resolution. The "Current Expenses of the System" includes all necessary current operating and maintenance expenses, and the Authority's actual overhead and management costs relating to the System, but does not include depreciation, debt service of the bonds, and management fees to the General Services Division.

The debt service coverage of the pledged revenues for the year ended December 31, 2017, for the Series Bayport Area System Revenue Bonds is computed in the following schedule:

Net revenues of the system for the year ended December 31, 2017	\$ 7,524,313
Add-Items not includable in current expenses of the System:	
Bond interest expense	2,573,376
Depreciation	4,135,186
Management fee	1,177,896
	<u> </u>
Pledged revenues	<u>\$ 15,410,771</u>
Average annual debt service for bonds	<u>\$ 4,640,346</u>
Debt service coverage average annual debt service	3.32
Actual debt service for bonds	<u>\$ 6,686,988</u>
Debt service coverage actual debt service	2.30

"Pledged Revenues" are also deposited in the Bond Fund and the Reserve Fund. Any surplus revenues are to be used for paying the annual management fee to the General Services Division or for any other lawful purpose.

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of year-end, the Authority has no arbitrage liability.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

Long-term liability activity for the year ended is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Business-type activities						
Accrued compensated absences	\$ 2,698,682	\$ 1,406,842	\$ 1,390,312	\$ 2,715,212	\$ 1,408,838	\$ 1,306,374
Net OPEB obligation	1,828,084	1,016,216	612,037	2,232,263	-	2,232,263
Bonds Payable:						
Series 2013	39,065,000	-	2,875,000	36,190,000	3,000,000	33,190,000
Series 2015	24,930,000	-	855,000	24,075,000	880,000	23,195,000
Plus Premium	7,858,990	-	450,590	7,408,400	450,592	6,957,808
Long term liabilities	\$ 76,380,756	\$ 2,423,058	\$ 6,182,939	\$ 72,620,875	\$ 5,739,430	\$ 66,881,445

Internal service funds serve the enterprise fund. Accordingly, long-term liabilities for them are included as part of the above totals for business-type activities. The balance in compensated absences and the net OPEB obligation at year-end is included in the internal service funds.

F. Private Activity, Contract and Industrial Development Revenue Bonds (Conduit Debt)

To accomplish its purposes, the Authority is empowered to issue private activity bonds to finance the acquisition, construction or improvement of pollution control, and solid waste disposal facilities (the "Project", as defined in the bond documents).

The Authority is also authorized to sell the Project that is acquired, constructed, or improved to the entities that the pollution control or solid waste facilities serve (the "Users"). The bonds are secured by a pledge of the monies to be received by the Authority from the Users pursuant to the agreements. Debt service on the bonds, including principal and interest when due, is secured and paid from revenues in accordance with agreements made by the Authority with the Users.

The holders of the bonds shall never have the right to demand payment of the bonds from monies derived or to be derived by taxation or any other revenues of the Authority except those revenues pledged, which are debt service charges or payments made under the Installment Sale Agreements, as defined. Neither the facilities owned by the Authority nor any other property of the Authority is encumbered by a lien for the benefit of the holders of the bonds. The bonds are payable solely from revenues pledged to their payment and shall not be considered as general obligations of the Authority, the governing body of the Authority, or the state of Texas.

GCIDA may issue bonds with the approval of the Authority for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. These bonds, like the Authority private activity bonds, fall into the category of "conduit" debt obligations.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

F. Private Activity, Contract and Industrial Development Revenue Bonds (Conduit Debt) (continued)

Although conduit debt obligations bear the name of the Authority or GCIDA, the resources are provided through the third party on whose behalf they are issued. As conduit debts are the responsibilities of the third parties, and no revenues are discussed above, the Authority and GCIDA conduit bonds are not included in the Authority's financial statements.

Aggregate totals of amounts outstanding at year end as presented in detail in the "Other Supplementary Information" are as follows:

Industrial pollution projects private activity bonds	\$ 259,200,000
Industrial development projects	<u>332,200,000</u>
Total private activity bonds	<u><u>\$ 591,400,000</u></u>

G. Ownership of Waste Water Treatment Facilities

Generally, the Authority becomes the owner of the industrial wastewater treatment facilities it constructs or acquires from the proceeds of bonds issued. Municipal wastewater treatment plants owned by the Authority are financed through contributions received from municipalities and land developers, as well as bond issues.

The construction of the 40-Acre Facility was financed through the issuance of Union Carbide Corporation Project Revenue Bonds and through additional contributions made by Union Carbide. Under the Facilities Agreement, Union Carbide has the option of purchasing the facility at appraised values, as defined. However, Union Carbide may not exercise its option to purchase if other corporations are also using the facilities.

Effective January 6, 2006, the participants of the Washburn Tunnel Facility terminated the Joint Venture Agreement and delivered to the Authority a quitclaim deed, quitclaiming to the Authority any and all right, title and interest or reversionary interest they may have had in the Washburn Tunnel facility.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information

A. Defined Contribution Pension Plan

The Authority's Board of Directors adopted a resolution establishing the Gulf Coast Authority 401(a) Money Purchase Plan, a defined contribution money purchase plan and trust agreement (the "Plan") effective January 1, 1990. In a defined contribution pension plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is a qualified pension plan under Section 401 (a) of the Internal Revenue Code with International City Management Association Retirement Corporation (ICMA RC) serving as the Plan administrator.

At December 31, 2017 the total plan assets were \$49,566,306. These assets were allocated as follows:

<u>Asset Category</u>	<u>Balance</u>	<u>Percent of Assets</u>
Stable Value/Money Market Funds	\$ 16,060,915	32%
Bond Funds	4,081,399	8%
Guaranteed Lifetime Income	8,124,410	16%
Balanced Funds	7,681,885	15%
U.S. Stock Funds	11,055,639	22%
International Stock Funds	2,250,848	5%
Specialty	311,210	1%
Total Assets	<u>\$ 49,566,306</u>	<u>100.00%</u>

The Authority's contribution for the year ended December 31, 2017 was \$1,172,714 which represents the required 10 percent of covered payroll. The employees' contribution was \$586,357 which equals 5 percent of covered payroll. There were no additional voluntary contributions. For the year ended December 31, 2017, the Authority recognized pension expense of \$1,172,714. As of December 31, 2017 there were 157 active participants, 84 inactive participants are retired or terminated participants with balances in the plan.

Plan Provisions

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Authority's Board of Directors. All employees whose customary employment is for at least 24 hours per week are eligible to participate in the Plan from the date of employment. Normal retirement age is 65. The Authority contributes on behalf of each participant 10 percent of each pay period earnings. Earnings are defined as W-2 earnings less overtime, shift differential, auto allowance, taxable fringe benefits, and other non-routine portions of employee's compensation, plus compensation voluntarily deferred under an eligible deferred compensation plan under Section 457, a flexible compensation plan under Section 125 of the Internal Revenue Code, or a Retirement Health Savings Plan. Also included in earnings is the tax deferred mandatory employee contribution made each pay period, as authorized by the Authority's Board of Directors in amendments to the Plan.

Participants may also make voluntary, after-tax contributions. Mandatory and voluntary contributions are 100 percent vested. Contributions made by the Authority are 20 percent vested after three years of service, increasing 20 percent each year to 100 percent after seven years of service. Nonvested Authority contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Authority's required contributions. A participant may direct the investment of the money contributed by the Authority on his/her behalf in any of the available ICMA RC investment options. There is no investment restriction on the mandatory 5 percent contribution or on any voluntary contribution made by each employee.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

B. Deferred Compensation Plan

The Authority maintains a deferred compensation plan, which is available to all employees. The plan complies with Section 457 of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments). ICMA RC is the independent administrator of the plan.

C. Retirement Health Savings Plan

During 2005, the Authority adopted the Vantage Care Retirement Health Savings ("RHS") plan. This plan, established by private letter rulings and Treasury Regulation 301.7701-1 (a) (3) allows employees to accumulate assets on a pre-tax basis to pay for medical expenses upon separation of employment with the Authority. The plan is open to all employees whose regular work schedule is for at least twenty hours per week. ICMA RC is the independent administrator of the plan.

D. Other Post-Employment Benefits

Plan description

The Gulf Coast Authority Other Post Employment Benefit Trust (GCAOPEBT) is a single employer trust established in 2008 to provide one or more retirement welfare benefit plans, programs, or arrangements to provide medical and life insurance coverage for qualified retirees in accordance with its personnel policy. The Trust is held by ICMA RC who is also the administrator of the Plan. Assets held by the Trust are valued at fair value. In order to qualify for coverage as a "retiree" under the Authority's medical and life insurance plans an employee must accumulate a minimum number of years of service and chronological age in some combination that equate to "80" (Rule of 80). The Authority has no statutory or contractual obligation to continue to offer these post-retirement benefits. The plan is a prefunded defined benefit OPEB plan. At year end, there were 39 active employees meeting these eligibility requirements who could elect to retire. During the year, 55 qualified retirees received these benefits at a total cost to the Authority of \$529,868. Financial statements of the plan can be found within this financial report. Separate audited financial statements are not available for the Plan. The Plan's provisions and funding requirements are established and can be amended by the Management of the Authority. A separate, audited GAAP basis postemployment benefit plan report is not available.

Funding policy

It is the Authority's current administrative policy to pay all but \$70.00 (which is paid by the retiree) of the monthly premium assessed by the Employees' Health Care Internal Service Fund (which approximates cost), for each pre-Medicare retiree under age 65. The Authority pays supplemental health insurance for each retiree eligible for Medicare at a cost ranging from \$150 to \$259 per month, dependent on the Medicare supplement plan chosen by the retiree. The Authority continues to provide dental coverage to the retiree after they have reached age 65. The retiree pays \$15.00 for this coverage. In addition, the Authority pays premiums for term life insurance for retirees. The amount of insurance coverage is 75 percent of the retired employee's base salary at termination, rounded to the next \$1,000, with a minimum coverage of \$20,000 and a maximum of \$50,000. For the year ended December 31, 2017, \$484,794 was transferred to the trust to cover future premiums. The amount transferred equated to 4.5 percent of annual covered payroll. The Plan uses the cash basis of accounting; therefore, contributions, benefits and refunds related to the Plan are recognized when they are made to the Plan or received from the Plan. No benefits were paid out of the GCAOPEBT in 2017. Instead, costs were paid on a "pay-as-you-go" basis from the Authority's internal service fund.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

Annual OPEB Cost and net OPEB obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Authority's net OPEB obligation to GCAOPEBT follows:

	<u>2017</u>
Determination of Annual Required Contribution	
Normal Cost at year end	\$ 457,285
Amortization of UAAL	<u>578,283</u>
Annual Required Contribution (ARC)	1,035,568
 Determination of Net OPEB Obligation	
Annual Required Contribution	1,035,568
Interest on prior year Net OPEB Obligation	127,966
Adjustment to ARC	<u>(147,318)</u>
Annual OPEB Cost	1,016,216
Contributions made	<u>(612,037)</u>
Estimated Increase in Net OPEB Obligation	404,179
 Net OPEB Obligation - beginning of year	<u>1,828,084</u>
Estimated Net OPEB Obligation - end of Year	<u>\$ 2,232,263</u>

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress as of the most recent valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
January 1, 2017	\$ 5,444,545	\$ 12,620,491	\$ 7,175,946	43.1%	\$ 10,877,440	66.0%

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years for each of the plans were as follows:

<u>Plan Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Percentage OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 834,843	\$ 1,217,777	145.87%	\$ 1,815,721
December 31, 2016	852,777	840,414	98.55%	1,828,084
December 31, 2017	1,016,216	612,037	60.23%	2,232,263

Actuarial Methods and Assumptions

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Original actuarial computation parameters

Valuation date	January 1, 2017
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Asset valuation	Market Value
Actuarial assumptions	
Investment rate of return	7%
Inflation rate	2.75%
Mortality rate	RP-2000 Mortality Table
Salary scale	5%
Healthcare cost trend rate	11% initial 5% ultimate

E. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority self-insures, participates in a public entity risk pool, and purchases commercial insurance. The Authority has not significantly reduced insurance coverage amounts or had settlements that exceeded coverage amounts for the past three years.

The Authority self-insures a portion of its risks by maintaining higher than average deductibles on its insurance policies for the purposes of reducing insurance premiums. The Authority established the Casualty Insurance Risk Reserve Internal Service Fund to account for these activities and made an initial contribution of \$200,000. The fund provides the first dollar coverage of claims up to the casualty insurance policy's deductible amounts. On average, investment earnings have exceeded policy deductibles thereby increasing the reserve for losses. There were no material outstanding claims at year end. The balance in the fund at year end was \$372,645.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

E. Risk Management (continued)

The Authority has further managed its risk by its participation in the Texas Water Conservation Association Risk Management Fund (the Risk Pool), a public entity risk pool. Members of the Texas Water Conservation Association established the Risk Pool for the purposes of (a) formulating, developing and administering a program of self-insurance, (b) obtaining lower costs for workers' compensation, property, liability and group health coverage, and (c) developing a comprehensive safety program for participants in the Risk Pool. The Authority participates in the Risk Pool through an interlocal cooperation agreement with 75 other water districts and authorities. The Risk Pool purchases commercial insurance to reinsure risks in excess of the Risk Pool's retention for each accident, occurrence or claim. The Authority has no additional risk or responsibility to the Risk Pool outside of payment of insurance premiums. The Authority purchases commercial insurance when coverage is not available through the Risk Pool.

F. Compensated Absences

The Authority accounts for the liability to its employees for accrued vacation, special leave, and sick leave in the Compensated Absences Internal Service Fund. On each pay period, the vested amount accrued by each employee is paid from the Enterprise Fund into the Compensated Absences Fund. When the employee takes vacation or sick leave, the total vested portion is drawn from the Compensated Absences Fund.

G. Contingencies

Regulations

The Authority is subject to both state and federal regulations, primarily enforced by the Texas Commission on Environmental Quality (TCEQ) and the Environmental Protection Agency (EPA). The Authority must comply with such laws and regulations to maintain the necessary licenses and permits to operate waste disposal facilities.

Landfill Closure and Post-Closure Costs

The Authority owns and operates the Campbell Bayou Industrial Solid Waste Facility, which is permitted for non-hazardous and hazardous solid waste, although hazardous waste has not been accepted since 1993.

The TCEQ and EPA regulations require that a final cover be placed on the landfill when closed and that certain maintenance and monitoring functions be performed at the site for thirty years after closure. The Authority has previously certified closure of an inactive portion of the landfill. The Y-Cell is the remaining active cell that is subject to both closure and post-closure activities. Accordingly, a contingent liability exists for future closure of the Y-Cell and post-closure care costs for the entire landfill that will be incurred near or after the date of closure.

The estimated total cost of the landfill closure and post-closure care was developed by engineering estimates. These estimates take into account the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of year-end. However, the actual cost of closure and post-closure care may vary due to inflation, changes in technology, or changes in laws and regulations.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

G. Contingencies (continued)

The estimated total cost of closure and post-closure for the current site at year end is \$7,211,000. Of this amount, \$2,668,070 and \$1,442,200 are for landfill cells and land farm, respectively, which are no longer accepting waste, and final closure has been certified. As of year-end, the estimated utilized capacity of the Y-Cell is estimated at 88.01%, and \$3,100,730 is the estimated total cost for closure and post-closure. Accordingly, the accrued closure and post-closure care cost liability at year end for the Y-Cell is \$2,278,952. The total accrued closure and post-closure care costs at year end for the entire site are \$6,839,222. The remaining accrued costs to be recognized are \$371,778. The rate of fill for the Y-cell has slowed down resulting in a longer projected life. At the current rate of fill the life of the Y-cell has been estimated to be another ten years as of 2017.

The Authority is responsible for the operations of the landfill and the site. The Authority has contracts with corporate participants for the construction and operation of the facility and for its operation. In addition, the participants have acknowledged financial responsibility for the cost of closure and post closure activities. The participants have elected to demonstrate financial assurance through an irrevocable letter of credit. The Closure and Post Closure Trust Fund is available in case the line of credit is called upon in order to pay closure and post-closure costs. The balance in the fund at year-end was \$5.

The Authority considers the participants to be financially capable of meeting closure and post-closure care obligations when they are due. Accordingly, the Authority has not recorded a liability in connection with closure and post-closure care costs.

Legal Matters

During the normal course of business, the Authority becomes a party to disputes and various legal matters. The ultimate outcome of pending or potential disputes, lawsuits, or arbitration cannot be estimated with reasonable accuracy. However, management believes that the ultimate liability, if any, would not have a material effect on the financial condition of the Authority. As of December 31, 2017, the Authority had no outstanding litigation.

H. Pollution Remediation

During the course of business, regulatory discharge permits are occasionally violated. The Authority is required to report these violations to the Texas Commission on Environmental Quality (TCEQ). The infrequency of these violations in the past year has resulted in either notification of a violation by the TCEQ or an immaterial penalty. It is the opinion of management that there will be no material penalties assessed against the Authority as a result of any currently known permit violation.

I. Subsequent Events

The Authority has authorized the issuance of Series 2018 Bayport Area System Revenue Bonds, dated March 27, 2018, in the amount of \$33,770,000 to be issued in April 2018. The proceeds of the bonds will be used for the purpose of (i) paying the cost of designing, acquiring, constructing, and improving certain improvements to the System, (ii) making a deposit into the Reserve Fund, and (iii) paying the costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTAL INFORMATION

GULF COAST AUTHORITY**REQUIRED OTHER POST EMPLOYMENT BENEFIT SUPPLEMENTARY INFORMATION***Gulf Coast Authority Other Post Employment Benefits Trust**December 31, 2017*

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
January 1, 2015	\$ 3,598,819	\$ 10,003,935	\$ 6,405,116	36.0%	\$ 10,169,469	63.0%
January 1, 2016	\$ 4,599,219	\$ 11,161,347	\$ 6,562,128	41.2%	\$ 10,730,448	61.2%
January 1, 2017	\$ 5,444,545	\$ 12,620,491	\$ 7,175,946	43.1%	\$ 10,877,440	66.0%

OTHER SUPPLEMENTARY INFORMATION

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COMBINING INFORMATION AND STATEMENTS

General Services Division

This division provides various support activities to the facilities, including management, engineering, accounting, information technology support, secretarial support staff and human resources. User charges, management fees and bond issuance financing fees provide the major sources of revenues.

Bayport Area System Facility Division

This division accounts for the operations of a wastewater treatment facility serving industrial companies in the Bayport Industrial Complex. Revenues to operate this facility are provided by the industries and municipalities in the area in accordance with the rate order approved by the Board of Directors.

Blackhawk Regional Wastewater Treatment Facility Division

This division accounts for the operations of a wastewater treatment facility serving two municipal utility districts and two cities. Revenues to operate this facility are provided by the customers it serves through written contracts for pollution control services. These agreements provide for the participants' payment of costs on a monthly basis by reimbursement of actual costs plus contributions to the contingency reserve for capital equipment replacement pursuant to the facility contract.

Campbell Bayou Facility Division

This division accounts for the operations of an industrial landfill and land treatment as well as disposal of nonhazardous solid wastes. The division also accounts for closure operations and post-closure monitoring and maintenance of closed hazardous and nonhazardous cells of the industrial landfill. The agreement with participants provides for the participants' payment of cost through quarterly revenue billings to cover budgeted expenses followed by quarterly variance adjustments. The landfill is permitted and operates under the regulations of the Resource Conservation and Recovery Act Subtitle C for the receipt of defined industrial wastes.

Central Laboratory Division

This division accounts for the operations of the Authority's Central Laboratory. This facility provides laboratory analysis for all of the Authority's treatment facilities and some industrial and municipal customers on an as needed basis. Revenue is received from interdivisional transfers from the facilities for lab work provided and fees charged for lab tests performed for external customers.

East Battleground Facility Division

This division accounts for the activities related to developing a project plan, feasibility evaluations, and cost estimates for the potential construction of facilities to be owned and operated by the Authority for the treatment of industrial participants' wastewater. This division was created in 2017 to allow the Authority and the participants to jointly investigate the potential of participation in the acquisition, construction, or development of such facilities. A joint development agreement provides for all costs to the Authority to be covered by the participants.

GULF COAST AUTHORITY

ENTERPRISE FUND (continued)

December 31, 2017

40-Acre Facility Division

This division accounts for the operations of the wastewater treatment facility in Texas City, Texas. Revenues to operate this facility are provided by the industries with which the Authority has written contracts for pollution control services. The agreement provides for the participants' payment of costs through quarterly revenue billings to cover budgeted expenses followed by periodic variance adjustments for reimbursement of actual costs.

Municipal Operations Division

This division accounts for the operations of the municipal wastewater treatment facility and collection system plus some related billing services for the Cedar Bayou Park Utility District. Written agreements with the district provide for payment of all costs related to the operation of the system.

Odessa South Regional Facility Division

This division accounts for the operations of the wastewater treatment facility in Odessa, Texas. Revenues to operate this facility are provided by the industries and the City of Odessa in accordance with the rate order approved by the Board of Directors. In addition, this division accounts for the revenues and expenses of the operations of a trucked in wastewater receiving and pumping station as well as the sale of treated wastewater for reuse.

Vince Bayou Division

This division accounts for the revenues and expenses of the operations of a trucked in wastewater receiving station located near the Washburn Tunnel Industrial Wastewater Treatment Facility. Contracts and agreements between the Authority and liquid waste hauling companies provide for receiving and testing of the wastewater at the Vince Bayou Facility and pumping it to the Washburn Tunnel Industrial Wastewater Facility for treatment.

Washburn Tunnel Facility Division

This division accounts for the operations of the wastewater treatment facility adjacent to the Houston Ship Channel. Revenues to operate this facility are provided by the City of Pasadena and industries with which the Authority has written contracts for pollution control services. The agreements provide for the participants' payment of costs through monthly revenue billings to cover budgeted expenses followed by monthly variance adjustments for reimbursement for actual costs.

Washburn Tunnel Pipeline Services Division

This division accounts for the acquisition, operation, and maintenance of various pipelines for transport of industrial waste to the Washburn Tunnel Facility for treatment. This division was created in 2003 to help the industries in the Houston Ship Channel area with waste transportation needs. This division operated no pipelines as of year-end.

Component Unit – GCIDA

GCIDA was created by the Authority in 1979 under the provisions of the Development Corporation Act of 1979. As stated in its Articles of Incorporation, "GCIDA was organized exclusively for the purpose of benefiting and accomplishing the public purposes of, and to act on behalf of, the Gulf Coast Authority and the specifics for which the Corporation was created."

GULF COAST AUTHORITY
Combining Information By Division - Net Position
Enterprise Fund
December 31, 2017

	General Services Division	Bayport Area System Facility Division	Blackhawk Regional Wastewater Treatment Facility Division
Assets			
Current Assets:			
Cash and cash equivalents	\$ 955,764	\$ 3,645,745	\$ 30,031
Marketable securities	6,782,618	25,914,275	201,473
Receivables, net	186,929	8,132,596	1,407,961
Prepays	13,069	307,059	33,027
Restricted assets			
Cash and cash equivalents	-	27,096,845	82,696
Marketable securities	-	497,300	588,082
Accrued interest	-	2,329	-
Total current assets	7,938,380	65,596,149	2,343,270
Noncurrent Assets:			
Capital assets			
Land	53,800	907,489	200,000
Construction in progress	-	16,549,323	5,517,771
Plant and equipment	1,926,739	132,853,671	20,097,955
Less accumulated depreciation	(1,615,776)	(88,657,974)	(14,198,170)
Total capital assets (net of accumulated depreciation)	364,763	61,652,509	11,617,556
Total noncurrent assets	364,763	61,652,509	11,617,556
Total assets	8,303,143	127,248,658	13,960,826
Deferred Outflows of Resources			
Deferred loss on refunding	-	607,930	-
Liabilities			
Current liabilities:			
Accounts payable	185,510	1,840,706	911,318
Wages payable	482,075	-	-
Accrued bond interest	-	704,084	-
Current portion of bonds payable	-	4,330,592	-
Unearned revenue	-	-	38,870
Total current liabilities	667,585	6,875,382	950,188
Noncurrent liabilities:			
Bonds payable (net of unamortized discount and deferred amount on refunding)	-	63,342,808	-
Working capital deposits	-	-	735,188
Total noncurrent liabilities	-	63,342,808	735,188
Total liabilities	667,585	70,218,190	1,685,376
Net Position			
Net investment in capital assets	364,763	17,165,419	11,617,556
Restricted for:			
Debt service	-	4,311,681	-
Contingency reserve	-	-	670,778
Unrestricted	7,270,795	36,161,298	(12,884)
Total Net Position	\$ 7,635,558	\$ 57,638,398	\$ 12,275,450

Campbell Bayou Facility Division			East			
Industrial Solid Waste Facility	Closure/Post Closure	Central Laboratory Division	Battleground Facility Division	40-Acre Facility Division	Municipal Operations Division	
\$ 3,525	\$ 8,740	\$ 1,081,834	\$ 30,810	\$ (15,733)	\$ 61,763	
23,644	62,150	7,681,269	219,106	(123,970)	439,218	
14,347	121,186	17,777	-	721,904	27,491	
5,027	2,568	11,189	-	21,862	34	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>46,543</u>	<u>194,644</u>	<u>8,792,069</u>	<u>249,916</u>	<u>604,063</u>	<u>528,506</u>	
671,966	-	-	-	1,427,965	-	
683,107	-	178,617	-	-	-	
5,564,977	-	7,292,044	-	35,478,183	-	
(5,466,866)	-	(4,948,286)	-	(22,431,922)	-	
<u>1,453,184</u>	<u>-</u>	<u>2,522,375</u>	<u>-</u>	<u>14,474,226</u>	<u>-</u>	
<u>1,453,184</u>	<u>-</u>	<u>2,522,375</u>	<u>-</u>	<u>14,474,226</u>	<u>-</u>	
<u>1,499,727</u>	<u>194,644</u>	<u>11,314,444</u>	<u>249,916</u>	<u>15,078,289</u>	<u>528,506</u>	
-	-	-	-	-	-	
3,146	27,158	165,984	25,842	585,624	6,053	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	35,000	-	224,350	338,724	-	
<u>3,146</u>	<u>62,158</u>	<u>165,984</u>	<u>250,192</u>	<u>924,348</u>	<u>6,053</u>	
-	-	-	-	-	-	
<u>251,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>251,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>254,164</u>	<u>62,158</u>	<u>165,984</u>	<u>250,192</u>	<u>924,348</u>	<u>6,053</u>	
1,453,184	-	2,522,375	-	14,474,226	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
(207,621)	132,486	8,626,085	(276)	(320,285)	522,453	
<u>\$ 1,245,563</u>	<u>\$ 132,486</u>	<u>\$ 11,148,460</u>	<u>\$ (276)</u>	<u>\$ 14,153,941</u>	<u>\$ 522,453</u>	

GULF COAST AUTHORITY
Combining Information By Division - Net Position
Enterprise Fund
December 31, 2017

	Odessa South Regional Facility Division	Vince Bayou Division	Washburn Tunnel Facility Division
Assets			
Current Assets:			
Cash and cash equivalents	\$ 258,896	\$ 496,856	\$ 262,937
Marketable securities	1,839,693	3,533,340	1,855,630
Receivables, net	1,208,252	275,184	2,194,763
Prepays	15,627	3,073	86,701
Restricted assets			
Cash and cash equivalents	-	-	495,080
Marketable securities	-	-	-
Accrued interest	-	-	-
Total current assets	<u>3,322,468</u>	<u>4,308,453</u>	<u>4,895,111</u>
Noncurrent Assets:			
Capital assets:			
Land	76,161	100,611	1,736,549
Construction in progress	-	-	174,951
Plant and equipment	15,171,854	1,951,445	45,351,713
Less accumulated depreciation	<u>(14,090,316)</u>	<u>(1,298,293)</u>	<u>(29,953,706)</u>
Total capital assets (net of accumulated depreciation)	<u>1,157,699</u>	<u>753,763</u>	<u>17,309,507</u>
Total noncurrent assets	<u>1,157,699</u>	<u>753,763</u>	<u>17,309,507</u>
Total assets	<u>4,480,167</u>	<u>5,062,216</u>	<u>22,204,618</u>
Deferred Outflows of Resources			
Deferred loss on refunding	-	-	-
Liabilities			
Current liabilities:			
Accounts payable	615,529	22,342	1,930,821
Wages payable	-	-	-
Accrued bond interest	-	-	-
Current portion of revenue bonds payable	-	-	-
Unearned revenue	<u>819,360</u>	<u>-</u>	<u>2,593,544</u>
Total current liabilities	<u>1,434,889</u>	<u>22,342</u>	<u>4,524,365</u>
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discount and deferred amount on refunding)	-	-	-
Working capital deposits	<u>660,339</u>	<u>-</u>	<u>20,635</u>
Total noncurrent liabilities	<u>660,339</u>	<u>-</u>	<u>20,635</u>
Total liabilities	<u>2,095,228</u>	<u>22,342</u>	<u>4,545,000</u>
Net Position			
Net investment in capital assets	1,157,699	753,763	17,309,507
Restricted for:			
Debt service	-	-	-
Contingency reserve	-	-	-
Unrestricted	<u>1,227,240</u>	<u>4,286,111</u>	<u>350,111</u>
Total Net Position	<u>\$ 2,384,939</u>	<u>\$ 5,039,874</u>	<u>\$ 17,659,618</u>

Washburn Tunnel Pipeline Services Division	Component Unit GCIDA Division	Eliminations	Total
\$ (85)	\$ 93,415	\$ -	\$ 6,914,498
(608)	664,311	-	49,092,149
-	-	-	14,308,390
2	-	-	499,238
-	-	-	27,674,621
-	-	-	1,085,382
-	-	-	2,329
<u>(691)</u>	<u>757,726</u>	<u>-</u>	<u>99,576,607</u>
-	-	-	5,174,541
-	-	-	23,103,769
16,647	-	-	265,705,228
<u>(16,647)</u>	<u>-</u>	<u>-</u>	<u>(182,677,956)</u>
-	-	-	111,305,582
-	-	-	111,305,582
<u>(691)</u>	<u>757,726</u>	<u>-</u>	<u>210,882,189</u>
-	-	-	607,930
-	69	-	6,320,102
-	-	-	482,075
-	-	-	704,084
-	-	-	4,330,592
-	-	-	4,049,848
<u>-</u>	<u>69</u>	<u>-</u>	<u>15,886,701</u>
-	-	-	63,342,808
-	-	-	1,667,180
-	-	-	65,009,988
<u>-</u>	<u>69</u>	<u>-</u>	<u>80,896,689</u>
-	-	-	66,818,492
-	-	-	4,311,681
-	-	-	670,778
<u>(691)</u>	<u>757,657</u>	<u>-</u>	<u>58,792,479</u>
<u>\$ (691)</u>	<u>\$ 757,657</u>	<u>\$ -</u>	<u>\$ 130,593,430</u>

GULF COAST AUTHORITY

Combining Information by Division - Revenues, Expenses, and Changes in Net Position

Enterprise Fund

Year ended December 31, 2017

	General Services Division	Bayport Area System Facility Division	Blackhawk Regional Wastewater Treatment Facility Division
Operating revenues			
Charges for sales and services			
Services to industries	\$ 1,673,276	\$ 37,124,462	\$ -
Services to municipalities	-	38,620	2,619,613
Intragovernmental	5,576,755	-	-
Other	148,568	1,081,002	68,309
Total operating revenues	<u>7,398,599</u>	<u>38,244,084</u>	<u>2,687,922</u>
Operating expenses			
Costs of sales and services	6,102,414	23,647,444	2,475,497
Administration	650,328	853,249	116,392
Depreciation	27,436	4,135,186	457,353
Total operating expenses	<u>6,780,178</u>	<u>28,635,879</u>	<u>3,049,242</u>
Operating income (loss)	<u>618,421</u>	<u>9,608,205</u>	<u>(361,320)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	42,618	489,484	3,253
Interest expense	-	(2,573,376)	-
Gain (loss) on disposal of capital assets	-	-	-
Insurance Proceeds	-	-	-
Total nonoperating revenues (expenses)	<u>42,618</u>	<u>(2,083,892)</u>	<u>3,253</u>
Income (loss) before contributions	<u>661,039</u>	<u>7,524,313</u>	<u>(358,067)</u>
Capital Contributions	-	-	3,335,668
Transfers in	-	-	-
Transfers out	-	-	-
Income (loss) after contributions	<u>661,039</u>	<u>7,524,313</u>	<u>2,977,601</u>
Changes in Net Position	661,039	7,524,313	2,977,601
Beginning Net Position	<u>6,974,519</u>	<u>50,114,085</u>	<u>9,297,849</u>
Ending Net Position	<u>\$ 7,635,558</u>	<u>\$ 57,638,398</u>	<u>\$ 12,275,450</u>

Campbell Bayou Facility Division			East Battleground Facility Division	40-Acre Facility Division	Municipal Operations Division
Industrial Solid Waste Facility	Closure/Post Closure	Central Laboratory Division			
\$ 461,615	\$ 514,985	\$ 70,061	\$ 55,770	\$ 4,736,861	\$ -
-	-	5,009	-	-	153,722
-	-	6,148,643	-	51,398	-
-	-	-	-	-	-
<u>461,615</u>	<u>514,985</u>	<u>6,223,713</u>	<u>55,770</u>	<u>4,788,259</u>	<u>153,722</u>
396,559	432,296	5,104,078	55,770	4,300,382	156,057
66,854	82,689	125,059	-	493,489	1,588
29,232	-	426,880	-	1,608,795	-
<u>492,645</u>	<u>514,985</u>	<u>5,656,017</u>	<u>55,770</u>	<u>6,402,666</u>	<u>157,645</u>
<u>(31,030)</u>	<u>-</u>	<u>567,696</u>	<u>-</u>	<u>(1,614,407)</u>	<u>(3,923)</u>
1,610	(374)	43,050	(276)	5,182	2,594
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,610</u>	<u>(374)</u>	<u>43,050</u>	<u>(276)</u>	<u>5,182</u>	<u>2,594</u>
<u>(29,420)</u>	<u>(374)</u>	<u>610,746</u>	<u>(276)</u>	<u>(1,609,225)</u>	<u>(1,329)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(29,420)</u>	<u>(374)</u>	<u>610,746</u>	<u>(276)</u>	<u>(1,609,225)</u>	<u>(1,329)</u>
<u>(29,420)</u>	<u>(374)</u>	<u>610,746</u>	<u>(276)</u>	<u>(1,609,225)</u>	<u>(1,329)</u>
1,274,983	132,860	10,537,714	-	15,763,166	523,782
<u>\$ 1,245,563</u>	<u>\$ 132,486</u>	<u>\$ 11,148,460</u>	<u>\$ (276)</u>	<u>\$ 14,153,941</u>	<u>\$ 522,453</u>

GULF COAST AUTHORITY

Combining Information by Division - Revenue, Expenses, and Changes in Net Position

Enterprise Fund

Year ended December 31, 2017

	Odessa South Regional Facility Division	Vince Bayou Division	Washburn Tunnel Facility Division
Operating revenues			
Charges for sales and services			
Services to industries	\$ 5,090,849	\$ 1,255,223	\$ 11,986,497
Services to municipalities	-	-	-
Intragovernmental	-	-	91,427
Other	471,763	4,707	8,848
Total operating revenues	<u>5,562,612</u>	<u>1,259,930</u>	<u>12,086,772</u>
Operating expenses			
Costs of sales and services	4,132,286	636,662	11,281,573
Administration	487,997	51,687	647,895
Depreciation	462,534	88,748	1,212,455
Total operating expenses	<u>5,082,817</u>	<u>777,097</u>	<u>13,141,923</u>
Operating income (loss)	<u>479,795</u>	<u>482,833</u>	<u>(1,055,151)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	6,665	19,430	11,989
Interest expense	-	-	-
Gain (loss) on disposal of capital assets	-	-	(589)
Insurance Proceeds	814	-	-
Total nonoperating revenues (expenses)	<u>7,479</u>	<u>19,430</u>	<u>11,400</u>
Income (loss) before contributions	<u>487,274</u>	<u>502,263</u>	<u>(1,043,751)</u>
Capital Contributions	-	-	174,951
Transfers in	26,752	-	-
Transfers out	-	-	(26,752)
Income (loss) after contributions	<u>514,026</u>	<u>502,263</u>	<u>(895,552)</u>
Changes in Net Position	514,026	502,263	(895,552)
Beginning Net Position	<u>1,870,913</u>	<u>4,537,611</u>	<u>18,555,170</u>
Ending Net Position	<u>\$ 2,384,939</u>	<u>\$ 5,039,874</u>	<u>\$ 17,659,618</u>

Washburn Tunnel Pipeline Facility Division	Component Unit GCIDA Division	Eliminations	Total
\$ -	\$ -	\$ -	\$ 62,969,599
-	-	-	2,816,964
-	-	(11,868,223)	-
-	-	-	1,783,197
-	-	(11,868,223)	67,569,760
-	24	(11,868,223)	46,852,819
-	69	-	3,577,296
-	-	-	8,448,619
-	93	(11,868,223)	58,878,734
-	(93)	-	8,691,026
(4)	4,062	-	629,283
-	-	-	(2,573,376)
-	-	-	(589)
-	-	-	814
(4)	4,062	-	(1,943,868)
(4)	3,969	-	6,747,158
-	-	-	3,510,619
-	-	-	26,752
-	-	-	(26,752)
(4)	3,969	-	10,257,777
(4)	3,969	-	10,257,777
(687)	753,688	-	120,335,653
\$ (691)	\$ 757,657	\$ -	\$ 130,593,430

GULF COAST AUTHORITY
Combining Information by Division - Cash Flows
Enterprise Fund
Year ended December 31,2017

	General Services Division	Bayport Area System Facility Division	Blackhawk Regional Wastewater Treatment Facility Division
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,815,535	\$ 36,258,084	\$ 2,220,017
Receipts from intragovernmental users	5,576,755	-	-
Payments to suppliers	(1,253,757)	(14,540,874)	(1,525,368)
Payments to employees	(4,885,036)	(4,636,070)	(850,381)
Payments to intragovernmental suppliers	(577,273)	(6,767,954)	(460,063)
Net cash provided (used) by operating activities	<u>676,224</u>	<u>10,313,186</u>	<u>(615,795)</u>
Cash Flows from Noncapital Financing Activities			
Intragovernmental transfers in	-	-	-
Intragovernmental transfers (out)	-	-	-
Interest received on note receivable	-	319,102	-
Principal received on note receivable	-	315,273	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>634,375</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(183,840)	(7,881,072)	(3,375,237)
Retirement of bonds	-	(3,730,000)	-
Interest paid on capital related debt	-	(2,969,065)	-
Capital contributions received from participants	-	-	3,335,668
Net cash provided (used) by capital and related financing activities	<u>(183,840)</u>	<u>(14,580,137)</u>	<u>(39,569)</u>
Cash Flows from Investing Activities			
Maturity (purchase) of investments	(361,057)	4,129,921	54,237
Interest received (paid)	42,618	168,053	3,253
Net cash provided by investing activities	<u>(318,439)</u>	<u>4,297,974</u>	<u>57,490</u>
Net increase (decrease) in cash and cash equivalents	173,945	665,398	(597,874)
Beginning cash and cash equivalents	781,819	30,077,192	710,601
Ending cash and cash equivalents	<u>\$ 955,764</u>	<u>\$ 30,742,590</u>	<u>\$ 112,727</u>
Ending cash and cash equivalents			
Unrestricted cash and cash equivalents	\$ 955,764	\$ 3,645,745	\$ 30,031
Restricted cash and cash equivalents	-	27,096,845	82,696
	<u>\$ 955,764</u>	<u>\$ 30,742,590</u>	<u>\$ 112,727</u>

Campbell Bayou Facility Division			East			
Industrial Solid Waste Facility	Closure/Post Closure	Central Laboratory Division	Battleground Facility Division	40-Acre Facility Division	Municipal Operations Division	
\$ 447,268	\$ 393,798	\$ 79,472	\$ 280,120	\$ 3,710,073	\$ 147,701	
-	-	6,148,643	-	51,398	-	
(233,349)	(211,696)	(1,270,412)	(29,928)	(1,964,958)	(71,952)	
(146,738)	(174,983)	(2,794,692)	-	(1,532,389)	(60,117)	
(120,960)	(108,338)	(1,098,777)	-	(1,275,169)	(22,430)	
<u>(53,779)</u>	<u>(101,219)</u>	<u>1,064,234</u>	<u>250,192</u>	<u>(1,011,045)</u>	<u>(6,798)</u>	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	(340,421)	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	(340,421)	-	-	-	
47,083	91,613	(552,901)	(219,106)	896,122	11,137	
1,610	(374)	43,050	(276)	5,181	2,594	
<u>48,693</u>	<u>91,239</u>	<u>(509,851)</u>	<u>(219,382)</u>	<u>901,303</u>	<u>13,731</u>	
(5,086)	(9,980)	213,962	30,810	(109,742)	6,933	
8,611	18,720	867,872	-	94,009	54,830	
<u>\$ 3,525</u>	<u>\$ 8,740</u>	<u>\$ 1,081,834</u>	<u>\$ 30,810</u>	<u>\$ (15,733)</u>	<u>\$ 61,763</u>	
\$ 3,525	\$ 8,740	\$ 1,081,834	\$ 30,810	\$ (15,733)	\$ 61,763	
-	-	-	-	-	-	
<u>\$ 3,525</u>	<u>\$ 8,740</u>	<u>\$ 1,081,834</u>	<u>\$ 30,810</u>	<u>\$ (15,733)</u>	<u>\$ 61,763</u>	

GULF COAST AUTHORITY

Combining Information by Division - Cash Flows

Enterprise Fund

Year ended December 31,2017

	General Services Division	Bayport Area System Facility Division	Blackhawk Regional Wastewater Treatment Facility Division
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 618,421	\$ 9,608,205	\$ (361,320)
Adjustment to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	27,436	4,135,186	457,353
Changes in Operating Assets and Liabilities:			
(Increase) decrease in assets			
Accounts receivable, net	(6,309)	(1,986,000)	191,988
Prepays	2,155	9,417	(1,237)
Increase (decrease) in liabilities:			
Wages payable	25,593	-	-
Accounts payable	8,928	(1,453,622)	(242,686)
Unearned revenue	-	-	(656,788)
Working capital deposits	-	-	(3,105)
Net cash provided (used) by operating activities	\$ 676,224	\$ 10,313,186	\$ (615,795)

<u>Campbell Bayou Facility Division</u>						
<u>Industrial Solid Waste Facility</u>	<u>Closure/Post Closure</u>	<u>Central Laboratory Division</u>	<u>40-Acre Facility Division</u>	<u>40-Acre Facility Division</u>	<u>Municipal Operations Division</u>	
\$ (31,030)	\$ -	\$ 567,696	\$ -	\$ (1,614,407)	\$ (3,923)	
29,232	-	426,880	-	1,608,795	-	
(14,347)	(121,187)	4,402	-	437,234	(6,021)	
336	(21)	1,043	-	(1,095)	(3)	
-	-	-	-	-	-	
(37,970)	19,989	64,213	25,842	22,450	3,149	
-	-	-	224,350	(1,464,022)	-	
-	-	-	-	-	-	
<u>\$ (53,779)</u>	<u>\$ (101,219)</u>	<u>\$ 1,064,234</u>	<u>\$ 250,192</u>	<u>\$ (1,011,045)</u>	<u>\$ (6,798)</u>	

GULF COAST AUTHORITY
Combining Information by Division - Cash Flows
Enterprise Fund
Year ended December 31,2017

	Odessa South Regional Facility Division	Vince Bayou Division	Washburn Tunnel Facility Division
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 5,357,224	\$ 1,223,994	\$ 12,864,290
Receipts from intragovernmental users	-	-	91,427
Payments to suppliers	(2,520,441)	(120,257)	(5,788,891)
Payments to employees	(1,357,605)	(269,562)	(3,711,391)
Payments to intragovernmental suppliers	(634,849)	(286,920)	(2,287,512)
Net cash provided (used) by operating activities	<u>844,329</u>	<u>547,255</u>	<u>1,167,923</u>
Cash Flows from Noncapital Financing Activities			
Intragovernmental transfers in	26,752	-	-
Intragovernmental transfers (out)	-	-	(26,752)
Interest received on note receivable	-	-	-
Principal received on note receivable	-	-	-
Net cash provided (used) by noncapital financing activities	<u>26,752</u>	<u>-</u>	<u>(26,752)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(49,926)	(41,450)	(327,207)
Retirement of bonds	-	-	-
Interest paid on capital related debt	-	-	-
Capital contributions received from (returned to) participants	-	-	174,951
Net cash provided (used) by capital and related financing activities	<u>(49,926)</u>	<u>(41,450)</u>	<u>(152,256)</u>
Cash Flows from Investing Activities			
Maturity (purchase) of investments	(706,847)	(408,790)	(364,752)
Interest received (paid)	6,665	19,430	11,989
Net cash provided by investing activities	<u>(700,182)</u>	<u>(389,360)</u>	<u>(352,763)</u>
Net increase (decrease) in cash and cash equivalents	120,973	116,445	636,152
Beginning cash and cash equivalents	137,923	380,411	121,865
Ending cash and cash equivalents	<u>\$ 258,896</u>	<u>\$ 496,856</u>	<u>\$ 758,017</u>
Ending cash and cash equivalents			
Unrestricted cash and cash equivalents	\$ 258,896	\$ 496,856	\$ 262,937
Restricted cash and cash equivalents	-	-	495,080
	<u>\$ 258,896</u>	<u>\$ 496,856</u>	<u>\$ 758,017</u>

Washburn Tunnel Pipeline Facility Division	Component Unit GCIDA Division	Eliminations	Total
\$ -	\$ -	\$ -	\$ 64,797,576
-	-	(11,868,223)	-
-	(24)	-	(29,531,907)
-	-	-	(20,418,964)
-	-	11,868,223	(1,772,022)
-	(24)	-	13,074,683
-	-	-	26,752
-	-	-	(26,752)
-	-	-	319,102
-	-	-	315,273
-	-	-	634,375
-	-	-	(12,199,153)
-	-	-	(3,730,000)
-	-	-	(2,969,065)
-	-	-	3,510,619
-	-	-	(15,387,599)
(6)	7,575	-	2,624,229
(4)	4,062	-	307,851
(10)	11,637	-	2,932,080
(10)	11,613	-	1,253,539
(75)	81,802	-	33,335,580
\$ (85)	\$ 93,415	\$ -	\$ 34,589,119
\$ (85)	\$ 93,415	\$ -	\$ 6,914,498
-	-	-	27,674,621
\$ (85)	\$ 93,415	\$ -	\$ 34,589,119

GULF COAST AUTHORITY*Combining Information by Division - Cash Flows**Enterprise Fund**Year ended December 31,2017*

	Odessa South Regional Facility Division	Vince Bayou Facility Division	Washburn Tunnel Facility Division
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 479,795	\$ 482,833	\$ (1,055,151)
Adjustment to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	462,534	88,748	1,212,455
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Assets			
Accounts Receivable	(125,059)	(35,936)	(390,831)
Prepays	722	(570)	1,129
Increase (Decrease) in Liabilities:			
Wages Payable	-	-	-
Accounts payable	106,666	12,180	140,545
Deferred revenue	69,840	-	1,259,776
Working capital deposits	(150,169)	-	-
Net cash provided by operating activities	\$ 844,329	\$ 547,255	\$ 1,167,923

Washburn Tunnel Pipeline Facility Division	Component Unit GCIDA Division	Eliminations	Total
\$ -	\$ (93)	\$ -	\$ 8,691,026
-	-	-	8,448,619
-	-	-	(2,052,066)
-	-	-	11,876
-	-	-	25,593
-	69	-	(1,330,247)
-	-	-	(566,844)
-	-	-	(153,274)
<u>\$ -</u>	<u>\$ (24)</u>	<u>\$ -</u>	<u>\$ 13,074,683</u>

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Casualty Insurance Risk Reserve Fund

This fund accounts for the accumulation of resources to pay the deductible amounts on casualty insurance. This limited purpose risk reserve fund was established in 1989. It was funded to a level of \$200,000 allocated among the operating divisions on the same basis as the actual liability insurance premiums.

Compensated Absences Fund

This fund accounts for the accumulation of resources to pay the liability for the vested amount of employees' vacation and sick leave. The primary source of revenue is earnings on the accumulated resources.

Data Processing Fund

This fund accounts for the revenues and expenses generated through data processing services provided to Authority facilities.

Employees' Health Care Fund

This fund accounts for the accumulation of resources to pay for the medical and associated benefits for the Authority's employees, participating dependents, and eligible retirees. The Enterprise Funds make payments to the Health Care Fund based on current premium costs from benefit providers.

Equipment Services Fund

This fund accounts for the revenues and expenses generated through equipment lease services provided to Authority facilities.

Pretreatment Legislation Fund

This fund accounts for revenues and expenses for support of federal law that offers pretreatment categorical exemptions to Authority industrial customers.

GULF COAST AUTHORITY
Combining Statement of Net Position
Internal Service Funds
December 31, 2017

	<u>Casualty Insurance Risk Reserve</u>	<u>Compensated Absences</u>	<u>Data Processing</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 45,941	\$ 301,273	\$ 33,210
Marketable securities	326,704	2,142,473	236,167
Prepays	-	-	185
Total current assets	<u>372,645</u>	<u>2,443,746</u>	<u>269,562</u>
Noncurrent Assets:			
Capital assets:			
Construction in progress	-	-	619,009
Plant and equipment	-	-	944,791
Less accumulated depreciation	-	-	(709,154)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>854,646</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>854,646</u>
Total assets	<u>372,645</u>	<u>2,443,746</u>	<u>1,124,208</u>
Liabilities			
Current liabilities:			
Accounts payable	-	-	4,724
Current portion of accrued compensated absences	-	1,408,838	-
Total current liabilities	<u>-</u>	<u>1,408,838</u>	<u>4,724</u>
Noncurrent liabilities:			
Accrued compensated absences	-	1,306,374	-
Net OPEB obligation	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>1,306,374</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>2,715,212</u>	<u>4,724</u>
Net Position			
Net investment in capital assets	-	-	854,646
Unrestricted	372,645	(271,466)	264,838
Total Net Position	<u>\$ 372,645</u>	<u>\$ (271,466)</u>	<u>\$ 1,119,484</u>

<u>Employees' Health Care</u>	<u>Equipment Service</u>	<u>Pretreatment Legislation</u>	<u>Total</u>
\$ 288,449	\$ 237,511	\$ 86,068	\$ 992,452
2,051,279	1,689,037	612,065	7,057,725
358,000	85	-	358,270
<u>2,697,728</u>	<u>1,926,633</u>	<u>698,133</u>	<u>8,408,447</u>
-	-	-	619,009
-	5,776,717	-	6,721,508
-	(4,513,724)	-	(5,222,878)
-	1,262,993	-	2,117,639
-	1,262,993	-	2,117,639
<u>2,697,728</u>	<u>3,189,626</u>	<u>698,133</u>	<u>10,526,086</u>
12,052	-	-	16,776
-	-	-	1,408,838
<u>12,052</u>	<u>-</u>	<u>-</u>	<u>1,425,614</u>
-	-	-	1,306,374
2,232,263	-	-	2,232,263
<u>2,232,263</u>	<u>-</u>	<u>-</u>	<u>3,538,637</u>
<u>2,244,315</u>	<u>-</u>	<u>-</u>	<u>4,964,251</u>
-	1,262,993	-	2,117,639
453,413	1,926,633	698,133	3,444,196
<u>\$ 453,413</u>	<u>\$ 3,189,626</u>	<u>\$ 698,133</u>	<u>\$ 5,561,835</u>

GULF COAST AUTHORITY*Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**Internal Service Funds**Year ended December 31, 2017*

	Casualty Insurance Risk Reserve	Compensated Absences	Data Processing
Operating revenues			
Charges for sales and services:			
Intragovernmental	\$ -	\$ -	\$ 812,580
Other	-	-	-
Total operating revenues	<u>-</u>	<u>-</u>	<u>812,580</u>
Operating expenses			
Costs of sales and services	-	92,543	431,525
Administration	-	-	365
Depreciation	-	-	107,130
Total operating expenses	<u>-</u>	<u>92,543</u>	<u>539,020</u>
Operating income (loss)	<u>-</u>	<u>(92,543)</u>	<u>273,560</u>
Nonoperating revenues (expenses)			
Investment income (loss)	1,998	14,136	1,523
Interest expense	-	-	(917)
Gain (loss) on disposal of capital assets	-	-	-
Total nonoperating revenues (expenses)	<u>1,998</u>	<u>14,136</u>	<u>606</u>
Changes in Net Position	1,998	(78,407)	274,166
Beginning Net Position	<u>370,647</u>	<u>(193,059)</u>	<u>845,318</u>
Ending Net Position	<u>\$ 372,645</u>	<u>\$ (271,466)</u>	<u>\$ 1,119,484</u>

Employees' Health Care	Equipment Service	Pretreatment Legislation	Total
\$ 2,460,780	\$ 417,815	\$ -	\$ 3,691,175
547,019	400	163,949	711,368
<u>3,007,799</u>	<u>418,215</u>	<u>163,949</u>	<u>4,402,543</u>
705,338	42,598	33,312	1,305,316
2,800,252	219	-	2,800,836
-	296,630	-	403,760
<u>3,505,590</u>	<u>339,447</u>	<u>33,312</u>	<u>4,509,912</u>
<u>(497,791)</u>	<u>78,768</u>	<u>130,637</u>	<u>(107,369)</u>
13,208	11,451	3,032	45,348
-	-	-	(917)
-	101,290	-	101,290
<u>13,208</u>	<u>112,741</u>	<u>3,032</u>	<u>145,721</u>
(484,583)	191,509	133,669	38,352
937,996	2,998,117	564,464	5,523,483
<u>\$ 453,413</u>	<u>\$ 3,189,626</u>	<u>\$ 698,133</u>	<u>\$ 5,561,835</u>

GULF COAST AUTHORITY
Combining Statement of Cash Flows
Internal Service Funds
Year ended December 31,2017

	Casualty Insurance Risk Reserve	Compensated Absences	Data Processing
Cash Flows from Operating Activities			
Receipts from customers and users	\$ -	\$ -	\$ -
Receipts from intragovernmental users	-	-	812,580
Payments to suppliers	-	-	(452,863)
Payments to employees	-	(76,013)	-
Net cash provided (used) by operating activities	<u>-</u>	<u>(76,013)</u>	<u>359,717</u>
Cash Flows from Noncapital Financing Activities			
Loan from equipment service	-	-	(74,980)
Interest paid on interfund loan	-	-	(917)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(75,897)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	-	-	(360,068)
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(360,068)</u>
Cash Flows from Investing Activities			
Maturity (purchase) of investments	3,715	91,202	70,588
Interest received	1,998	14,136	1,523
Net cash provided by (used for) investing activities	<u>5,713</u>	<u>105,338</u>	<u>72,111</u>
Net increase (decrease) in cash and cash equivalents	5,713	29,325	(4,137)
Beginning cash and cash equivalents	40,228	271,948	37,347
Ending cash and cash equivalents	<u>\$ 45,941</u>	<u>\$ 301,273</u>	<u>\$ 33,210</u>

Employees' Health Care	Equipment Service	Pretreatment Legislation	Total
\$ 547,019	\$ 400	\$ 163,949	\$ 711,368
2,460,780	417,815	-	3,691,175
(3,143,164)	(42,833)	(33,312)	(3,672,172)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,013)</u>
<u>(135,365)</u>	<u>375,382</u>	<u>130,637</u>	<u>654,358</u>
	74,980	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(917)</u>
<u>-</u>	<u>74,980</u>	<u>-</u>	<u>(917)</u>
-	(534,504)	-	(894,572)
<u>-</u>	<u>101,290</u>	<u>-</u>	<u>101,290</u>
<u>-</u>	<u>(433,214)</u>	<u>-</u>	<u>(793,282)</u>
143,405	2,918	(108,865)	202,963
<u>13,208</u>	<u>11,451</u>	<u>3,032</u>	<u>45,348</u>
<u>156,613</u>	<u>14,369</u>	<u>(105,833)</u>	<u>248,311</u>
21,248	31,517	24,804	108,470
<u>267,201</u>	<u>205,994</u>	<u>61,264</u>	<u>883,982</u>
<u>\$ 288,449</u>	<u>\$ 237,511</u>	<u>\$ 86,068</u>	<u>\$ 992,452</u>

GULF COAST AUTHORITY
Combining Statement of Cash Flows
Internal Service Funds
Year ended December 31,2017

	Casualty Insurance Risk Reserve	Compensated Absences	Data Processing
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$	\$ (92,543)	\$ 273,560
Adjustment to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	-	-	107,130
Changes in Operating Assets and Liabilities			
(Increase) decrease in assets			
Prepays	-	-	(65)
Increase (decrease) liabilities			
Wages payable	-	16,530	-
Accounts payable	-		(20,908)
Net OPEB obligation	-	-	-
Net cash provided by operating activities	\$	\$ (76,013)	\$ 359,717

<u>Employees' Health Care</u>	<u>Equipment Service</u>	<u>Pretreatment Legislation</u>	<u>Total</u>
\$ (497,791)	\$ 78,768	\$ 130,637	\$ (107,369)
-	296,630	-	403,760
188,725	(16)	-	188,644
-	-	-	16,530
(230,478)	-	-	(251,386)
404,179	-	-	404,179
<u>\$ (135,365)</u>	<u>\$ 375,382</u>	<u>\$ 130,637</u>	<u>\$ 654,358</u>

GULF COAST AUTHORITY*Industrial Projects - Private Activity Revenue**Bonds Issued and Outstanding**December 31, 2017*

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>
Exxon Pollution Control Project Revenue Refunding Bonds	1989	10/01/89	2024	**
Exxon Project Pollution Control Revenue Refunding Bonds	1995	11/29/95	2020	**
ExxonMobil Project Environmental Facilities Revenue Bonds	2000	05/31/00	2030	**
ExxonMobil Environmental Fac Rev Bonds Series 2001A	2001A	04/23/01	2030	**
ExxonMobil Environmental Fac Rev Bonds Series 2001B	2001B	04/23/01	2025	**
ExxonMobil Project Environmental Facilities Revenue Bonds Series 2002	2002	02/01/02	2025	**
Exxon Mobil Environmental Facilities Revenue Bonds	2003	04/01/03	2025	**
Waste Management of Texas, Inc. Solid Waste Disposal Revenue Bonds	2003B	04/01/03	2028	0.850%
American Acryl L.P. Environmental Facilities Revenue Bonds	2003	05/01/03	2038	**
Waste Management of Texas, Inc. and Western Waste Industries Project	2004A	03/01/04	2019	3.530%*
	Totals			

* Rate as of 12/31/13, adjusted rate bonds

** Variable rate

<u>Purpose</u>	<u>Total</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>
Air Pollution Control, Water Pollution Facilities	\$ 24,700,000	\$ -	\$ 24,700,000
Air Pollution Control, Water Pollution Facilities	52,500,000	-	52,500,000
Environmental Improvement	25,000,000	-	25,000,000
Environmental Improvement	25,000,000	-	25,000,000
Environmental Improvement	25,000,000	-	25,000,000
Environmental Improvement	25,000,000	-	25,000,000
Environmental Improvement	25,000,000	-	25,000,000
Solid Waste Disposal	10,000,000	-	10,000,000
Environmental Improvement	19,000,000	7,000,000	12,000,000
Solid Waste Disposal	35,000,000	-	35,000,000
	<u>\$ 266,200,000</u>	<u>\$ 7,000,000</u>	<u>\$ 259,200,000</u>

GULF COAST AUTHORITY

*Gulf Coast Industrial Development Authority - Industrial
Development Revenue Bonds Issued and Outstanding
December 31, 2017*

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>
PetroUnited Terminals, Inc. Project	1989	11/01/89	2019	**
CITGO Petroleum Environmental Facilities Revenue Bonds	1998	08/01/98	2028	8.000%
CITGO Petroleum Corporation Project	2004	05/01/04	2032	**
ExxonMobil Project Revenue Bonds	2012	11/01/12	2041	**
Totals				

** Variable rate bond

<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>
\$ 12,400,000	\$ 5,200,000	\$ 7,200,000
100,000,000	75,000,000	25,000,000
25,000,000	-	25,000,000
275,000,000	-	275,000,000
<u>\$ 412,400,000</u>	<u>\$ 80,200,000</u>	<u>\$ 332,200,000</u>

GULF COAST AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
Year ended December 31, 2017

	<u>December 31,</u> 2016	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> 2017
Assets				
Cash and cash equivalents	\$ 314,652	\$ 94,471	\$ (114,442)	\$ 294,681
Total Assets	<u>\$ 314,652</u>	<u>\$ 314,652</u>	<u>\$ 314,652</u>	<u>\$ 294,681</u>
Liabilities				
Due to others	\$ 314,652	\$ 94,471	\$ (114,442)	\$ 294,681
Total Liabilities	<u>\$ 314,652</u>	<u>\$ 314,652</u>	<u>\$ 314,652</u>	<u>\$ 294,681</u>

STATISTICAL SECTION

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This part of the Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the Authority’s overall financial health.

	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.	84
Revenue Capacity	
These schedules contain information to help the reader assess the Authority’s most significant local revenue source – fees from the customers of its largest facility – Bayport.	89
Debt Capacity	
This schedule presents 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.	90
Demographic and Economic Information	
These schedules offer the reader an indicator to help the reader understand the environment within which the Authority operates. Other demographic and economic indicators such as per capita or population statics are irrelevant to the Authority as the Authority’s revenue base is completely from industrial, municipal and special districts.	93
Operating Information	
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.	96

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

GULF COAST AUTHORITY
Net Position By Component
Last Ten Years (1)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Primary government				
Net investment in capital assets	\$ 44,320,059	\$ 62,886,387	\$ 65,499,281	\$ 61,948,931
Restricted	4,780,166	5,146,708	5,285,912	5,560,832
Unrestricted	<u>44,258,262</u>	<u>33,047,532</u>	<u>22,615,118</u>	<u>22,443,235</u>
Total primary government Net Position	<u>\$ 93,358,487</u>	<u>\$ 101,080,627</u>	<u>\$ 93,400,311</u>	<u>\$ 89,952,998</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 59,278,920	\$ 51,956,683	\$ 52,785,531	\$ 62,566,534	\$ 65,537,570	\$ 68,936,131
5,673,882	5,731,659	3,983,207	5,547,022	4,852,486	4,982,459
<u>23,073,089</u>	<u>34,552,737</u>	<u>38,958,377</u>	<u>50,087,934</u>	<u>55,469,080</u>	<u>62,236,675</u>
<u>\$ 88,025,891</u>	<u>\$ 92,241,079</u>	<u>\$ 95,727,115</u>	<u>\$ 118,201,490</u>	<u>\$ 125,859,136</u>	<u>\$ 136,155,265</u>

GULF COAST AUTHORITY
CHANGE IN NET POSITION
Last Ten Years (1)

	2008	2009	2010	2011
Expenses				
Business-type activities:				
General services	\$ 6,743,499	\$ 2,100,743	\$ 3,273,402	\$ 2,834,832
Wastewater treatment	56,606,205	57,574,147	55,229,866	51,085,936
Solid waste disposal	1,608,135	1,505,345	1,301,995	927,107
Total primary government expenses	<u>64,957,839</u>	<u>61,180,235</u>	<u>59,805,263</u>	<u>54,847,875</u>
Program Revenues				
Business-type activities:				
Charges for services:				
General services	1,486,789	1,436,674	2,093,096	1,897,049
Wastewater treatment	53,825,381	47,651,573	51,439,683	49,041,872
Solid waste disposal	1,841,318	905,857	1,074,327	890,613
Operating grants and contributions	440,948	2,152,547	385,507	-
Capital grants and contributions	14,037,369	560,468	663,106	912,927
Total primary government revenues	<u>71,631,805</u>	<u>52,707,119</u>	<u>55,655,719</u>	<u>52,742,461</u>
Total primary government net (expense) revenues	<u>6,673,966</u>	<u>(8,473,116)</u>	<u>(4,149,544)</u>	<u>(2,105,414)</u>
General Revenues and Other Changes in Net Position				
Business-type activities:				
Investment earnings (loss)	3,548,475	2,508,713	807,340	702,231
Extraordinary item - Hurricane Ike repairs	-	(1,126,200)	(14,540)	-
Extraordinary item - Capital asset impairment	-	(334,339)	-	-
Total primary government	<u>3,548,475</u>	<u>1,048,174</u>	<u>792,800</u>	<u>702,231</u>
Total primary government Changes in Net Position	<u>\$ 10,222,441</u>	<u>\$ (7,424,942)</u>	<u>\$ (3,356,744)</u>	<u>\$ (1,403,183)</u>

2012	2013	2014	2015	2016	2017
\$ 2,200,954	\$ 1,867,558	\$ 1,158,663	\$ 922,949	\$ 1,342,428	\$ 1,292,295
52,545,181	55,913,550	55,037,733	57,103,537	57,389,738	59,162,361
1,101,793	826,055	853,672	904,667	947,022	1,005,039
<u>55,847,928</u>	<u>58,607,163</u>	<u>57,050,068</u>	<u>58,931,153</u>	<u>59,679,188</u>	<u>61,459,695</u>
2,964,156	1,499,139	1,555,047	1,809,874	2,075,707	1,821,844
52,713,336	54,957,532	56,958,781	60,227,895	60,683,240	64,771,316
957,530	783,755	826,806	888,028	925,322	976,600
-	10,338	-	-	-	-
2,909,000	4,865,128	7,064,990	8,406,698	2,870,910	3,511,433
<u>59,544,022</u>	<u>62,115,892</u>	<u>66,405,624</u>	<u>71,332,495</u>	<u>66,555,179</u>	<u>71,081,193</u>
<u>3,696,094</u>	<u>3,508,729</u>	<u>9,355,556</u>	<u>12,401,342</u>	<u>6,875,991</u>	<u>9,621,498</u>
712,353	519,094	(12,355)	315,871	781,655	674,631
-	-	-	-	-	-
-	-	-	-	-	-
<u>712,353</u>	<u>519,094</u>	<u>(12,355)</u>	<u>315,871</u>	<u>781,655</u>	<u>674,631</u>
<u>\$ 4,408,447</u>	<u>\$ 4,027,823</u>	<u>\$ 9,343,201</u>	<u>\$ 12,717,213</u>	<u>\$ 7,657,646</u>	<u>\$ 10,296,129</u>

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GULF COAST AUTHORITY
BAYPORT MAJOR CUSTOMERS
Current Year and Nine Years Ago

Customer	2017			2008		
	Total Sales	Rank	% of Total Sales	Total Sales	Rank	% of Total Sales
Lyondell Chemical Company	\$ 6,238,022	1	16.2%	\$ 5,132,165	1	19.9%
Celanese LTD	4,530,598	2	11.8%	4,080,043	2	15.9%
Kaneka North America	4,445,605	3	11.5%	2,097,155	4	8.1%
Albemarle Corporation	4,385,862	4	11.4%	2,442,840	3	9.5%
Kuraray America	2,803,744	5	7.3%		n/a	
Carpenter Company	1,350,443	6	3.5%		n/a	
Intergulf Corp	1,306,692	7	3.4%	803,915	7	3.1%
Dixie Chemical Company, Inc.	1,197,130	8	3.1%	1,163,095	5	4.5%
Noltex, LLC	945,041	9	2.5%		n/a	
American Acryl, LP	902,970	10	2.3%		n/a	
Huish Detergentc, Inc.		n/a		869,535	6	3.4%
Eval Company		n/a		712,168	8	2.8%
Lubrizol Corporation		n/a		691,915	9	2.7%
Baker Petrolite, LLC		n/a		660,285	10	2.6%
Subtotal	28,106,107		72.95%	18,653,116		72.49%
Other customers	10,423,489		27.05%	7,080,037		27.51%
Total	\$ 38,529,596		100.00%	\$ 25,733,153		100.00%

Source: GCA 2008 and 2017 General Ledger

GULF COAST AUTHORITY
BAYPORT AREA REVENUE BONDS DEBT SERVICE
COVERAGE OF THE PLEDGED REVENUES
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net Income (loss)	\$ (1,881,084)	\$ (4,861,650)	\$ (1,038,507)	\$ (479,508)
Add items not includable in current expenses:				
Bond interest expense	2,087,750	1,954,917	1,814,644	1,666,275
Depreciation	4,446,193	5,044,916	4,783,144	4,716,215
Management fees	<u>600,000</u>	<u>650,004</u>	<u>650,004</u>	<u>698,748</u>
Pledge revenues	5,252,859	2,788,187	6,209,285	6,601,730
Average annual debt service on outstanding bonds	<u>\$ 3,571,674</u>	<u>\$ 3,483,152</u>	<u>\$ 3,381,864</u>	<u>\$ 3,265,465</u>
Actual debt service on outstanding bonds	<u>\$ 4,869,213</u>	<u>\$ 4,867,750</u>	<u>\$ 4,864,917</u>	<u>\$ 4,864,644</u>
Coverage by pledged revenues of average annual debt service on outstanding bonds	1.47	0.80	1.84	2.02
Coverage by pledged revenues of actual debt service on outstanding bonds	1.08	0.57	1.28	1.36

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,372,235	\$ 620,770	\$ 3,877,727	\$ 4,679,665	\$ 5,007,053	\$ 7,524,313
1,424,400	2,182,607	1,879,274	2,788,107	2,704,239	2,573,376
4,567,156	4,533,646	4,395,904	4,478,265	4,950,344	4,135,186
<u>798,804</u>	<u>898,800</u>	<u>998,004</u>	<u>1,047,900</u>	<u>1,077,900</u>	<u>1,177,896</u>
10,162,595	8,235,823	11,150,909	12,993,937	13,739,536	15,410,771
<u>\$ 3,231,758</u>	<u>\$ 3,113,717</u>	<u>\$ 3,254,134</u>	<u>\$ 4,845,390</u>	<u>\$ 4,748,064</u>	<u>\$ 4,640,346</u>
<u>\$ 4,856,275</u>	<u>\$ 3,669,950</u>	<u>\$ 5,573,038</u>	<u>\$ 5,469,828</u>	<u>\$ 6,694,588</u>	<u>\$ 6,686,988</u>

3.14	2.65	3.43	2.68	2.89	3.32
------	------	------	------	------	------

2.09	2.24	2.00	2.38	2.05	2.30
------	------	------	------	------	------

GULF COAST AUTHORITY
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Years
(dollars in thousands)

<i>Fiscal Year</i>	Business-Type Activities					Total Primary Government	Total Operating Revenue	Percent of Total Revenue
	<i>Revenue Bonds</i>	<i>Refunding Bonds</i>	<i>Promissory Note</i>	<i>Capital Lease</i>	<i>Unamortized Premium</i>			
2008	20,980	19,380	1,661	54	1,474	43,549	69,721	62.46%
2009	20,570	16,880	1,049	29	1,235	39,763	49,981	79.56%
2010	20,145	14,255	399	54	1,023	35,876	54,723	65.56%
2011	19,705	11,505	-	-	694	31,904	51,241	62.26%
2012	19,460	9,630	-	-	594	29,684	57,144	51.95%
2013 (1)	27,490	20,670	-	-	6,270	54,430	57,240	95.09%
2014	24,665	20,120	-	-	5,594	50,379	59,340	84.90%
2015 (2)	47,485	20,120	-	-	8,310	75,915	62,926	120.64%
2016	45,840	18,155	-	-	7,859	71,854	63,684	112.83%
2017	44,150	16,115	-	-	7,408	67,673	67,570	100.15%

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

(1) In 2013 the Authority issued the Gulf Coast Waste Disposal Authority Bayport Area System Revenue Bonds, Series 2013.

(2) In 2015 the Authority issued the Gulf Coast Waste Disposal Authority Bayport Area System Revenue Bonds, Series 2015.

GULF COAST AUTHORITY
ACTIVE INDUSTRIAL AND MUNICIPAL CUSTOMERS
Last Ten Years

<u>Fiscal Year</u>	<u>Business-Type Activities</u>
2008	155
2009	154
2010	148
2011	156
2012	154
2013	156
2014	176
2015	199
2016	203
2017	203

Source: Facility operating records.

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GULF COAST AUTHORITY
FULL-TIME EQUIVALENT AUTHORITY
EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Years

Year	General Services	Wastewater Treatment	Solid Waste Disposal	Total
2008	30	118	3	151
2009	31	118	3	152
2010	31	118	3	152
2011	27	119	2	148
2012	25	115	2	142
2013	26	115	2	143
2014	29	119	2	150
2015	29	119	2	150
2016	34	121	2	157
2017	33	120	2	155

Source: Human Resources

GULF COAST AUTHORITY
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function/Program				
Wastewater Treatment				
Wastewater treated (MGD)*	46.646	40.020	41.350	41.900
Permitted capacity (MGD)	109.650	85.700	85.700	85.700
Solid Waste Disposal				
Nonhazardous waste				
received (cubic yards)	13,535	4,312	1,072	668
Permitted capacity				
(cubic yards)	95,000	95,000	95,000	95,000

*MGD = million gallons per day

Source: Facility operations records

Note: No operating indicators are available for the general services function/program.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
45.752	47.638	47.638	46.080	44.353	46.040
86.950	91.950	91.250	91.950	88.050	84.950
1,706	2,123	1,005	1,674	2,761	1,078
95,000	95,000	95,000	95,000	95,000	95,000

GULF COAST AUTHORITY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

	2008	2009	2010	2011
Function/Program				
General Services:				
Administrative Building	1	1	1	1
Wastewater Treatment:				
Aeration basins	22	22	22	22
Aeration tanks	5	5	5	5
Aerobic digester basins	11	11	12	12
Anaerobic basins	1	1	1	1
Belt presses	8	8	10	10
Clarifiers	17	17	17	17
Equalization basins	6	5	5	5
Facultative basins	2	2	2	2
Gravity filters	5	5	5	5
Disinfect areas	5	5	5	5
Sewerage acceptance units	2	2	2	2
Sludge surface disposal basins	3	3	3	3
Solid Waste Disposal:				
Land treatment units	2	2	2	2
Hazardous waste disposal cells	6	6	6	6
Non-hazardous waste disposal cells	4	4	4	4
Source: Various Facilities				
	100	99	102	102

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
22	22	18	16	15	15
5	5	10	12	13	13
12	12	13	13	12	12
1	1			1	1
10	10	11	11	11	11
17	17	19	19	20	20
5	5	8	8	8	8
2	2	1	1	2	2
5	5	8	8	8	8
5	5	7	7	5	5
2	2	3	3	3	3
3	3	3	3	3	3
2	2	2	2	1	1
6	6	8	8	8	8
4	4	4	4	4	4
102	102	116	116	115	115

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TEXAS SUPPLEMENTARY INFORMATION SECTION

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GULF COAST AUTHORITY

TSI-1 SERVICES AND RATES

Year ended December 31, 2017

1. Services provided by the District:

- A. Wastewater treatment (Industrial and Municipal)
- B. Solid waste disposal (Industrial)
- C. Water reuse (Industrial)
- D. Trucked-in waste receiving
- E. Laboratory services

GULF COAST AUTHORITY
TSI-2. SCHEDULE OF EXPENSES
Year Ended December 31, 2017

Personnel services *	\$ 20,460,233
Materials and supplies	9,021,125
Utilities	5,255,798
Repairs and maintenance	4,289,921
Professional services	1,355,810
Contractual services	6,174,342
General and administrative	2,091,708
Major repairs	1,879,750
Interest and amortization	2,573,398
Depreciation	8,458,312
	<u>\$ 61,560,397</u>

* Number of persons employed by the Authority: 156 Full-Time

(1) The TCEQ Water District Financial Management Guide specifies the above schedule to include the general fund and notes that if the Authority uses an enterprise fund, an alternative schedule should be used. Because the Authority only has one enterprise fund this schedule is prepared at government-wide level.

GULF COAST AUTHORITY
TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS
December 31, 2017

	Identification or Certificate Number	Effective Yield	Maturity Date	Balance at End of Year (Fair Value)
Texas CLASS	N/A	1.41%	N/A	\$ 12,602,096
Texas TERM	N/A	1.21%	N/A	23,084,002
Texpool	N/A	1.176%	N/A	248,346
Insured Deposit Portal CD pool	N/A	1.13%	N/A	246,734
Certificate of Deposit	05580ACF9	2.25%	07/17/20	250,711
Certificate of Deposit	14042E4Y3	2.25%	07/22/20	250,714
Certificate of Deposit	38148J3R0	2.25%	12/09/20	247,531
Certificate of Deposit	51210SKZ9	1.90%	01/22/21	246,880
Certificate of Deposit	184804AA0	1.85%	01/27/21	246,495
Certificate of Deposit	32082BEB1	1.80%	10/30/20	246,395
Certificate of Deposit	55266CQE9	1.80%	01/15/21	246,149
Certificate of Deposit	686184WJ7	1.75%	12/17/18	239,339
Certificate of Deposit	140420XA3	1.65%	10/29/18	239,225
Certificate of Deposit	40434AC72	1.61%	11/17/20	241,072
Certificate of Deposit	02006LRV7	1.60%	07/02/18	249,769
Certificate of Deposit	254672RF7	1.60%	07/02/18	249,769
Certificate of Deposit	94986TWS2	1.50%	12/31/20	242,995
Certificate of Deposit	635573AB4	1.20%	04/02/18	247,684
Total temporary investments				\$ 39,625,906

GULF COAST AUTHORITY
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR
(All Bonded Debt Services) - By Years
 December 31, 2017

Due During the Year Ending	Annual Requirements for All Series			
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	Total
2018	\$ 3,880,000	\$ 1,408,169	\$ 1,408,169	\$ 6,696,338
2019	4,070,000	1,315,569	1,315,569	6,701,138
2020	4,255,000	1,218,394	1,218,394	6,691,788
2021	4,455,000	1,116,769	1,116,769	6,688,538
2022	4,680,000	1,005,394	1,005,394	6,690,788
2023	4,325,000	888,394	888,394	6,101,788
2024	4,540,000	780,269	780,269	6,100,538
2025	2,430,000	666,769	666,769	3,763,538
2026	2,525,000	618,269	618,269	3,761,538
2027	2,625,000	567,744	567,744	3,760,488
2028	2,760,000	502,119	502,119	3,764,238
2029	2,890,000	433,119	433,119	3,756,238
2030	3,040,000	360,869	360,869	3,761,738
2031	3,190,000	284,869	284,869	3,759,738
2032	3,330,000	215,981	215,981	3,761,962
2033	3,470,000	143,972	143,972	3,757,944
2034	1,865,000	68,875	68,875	2,002,750
2035	1,935,000	35,072	35,072	2,005,144
	<u>\$ 60,265,000</u>	<u>\$ 11,630,616</u>	<u>\$ 11,630,616</u>	<u>\$ 83,526,232</u>

GULF COAST AUTHORITY

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR

(All Bonded Debt Services) - By Years

December 31, 2017

Due During the Year Ending	Series, 2013			Total
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	
2018	\$ 3,000,000	\$ 846,144	\$ 846,144	\$ 4,692,288
2019	3,155,000	771,144	771,144	4,697,288
2020	3,305,000	692,269	692,269	4,689,538
2021	3,465,000	609,644	609,644	4,684,288
2022	3,640,000	523,019	523,019	4,686,038
2023	3,235,000	432,019	432,019	4,099,038
2024	3,395,000	351,144	351,144	4,097,288
2025	1,225,000	266,269	266,269	1,757,538
2026	1,260,000	247,894	247,894	1,755,788
2027	1,300,000	228,994	228,994	1,757,988
2028	1,365,000	196,494	196,494	1,757,988
2029	1,430,000	162,369	162,369	1,754,738
2030	1,505,000	126,619	126,619	1,758,238
2031	1,580,000	88,994	88,994	1,757,988
2032	1,635,000	60,356	60,356	1,755,712
2033	1,695,000	30,722	30,722	1,756,444
	<u>\$ 36,190,000</u>	<u>\$ 5,634,094</u>	<u>\$ 5,634,094</u>	<u>\$ 47,458,188</u>

GULF COAST AUTHORITY
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR
(All Bonded Debt Services) - By Years
 December 31, 2017

Due During the Year Ending	Series, 2015			Total
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	
2018	\$ 880,000	\$ 562,025	\$ 562,025	\$ 2,004,050
2019	915,000	544,425	544,425	2,003,850
2020	950,000	526,125	526,125	2,002,250
2021	990,000	507,125	507,125	2,004,250
2022	1,040,000	482,375	482,375	2,004,750
2023	1,090,000	456,375	456,375	2,002,750
2024	1,145,000	429,125	429,125	2,003,250
2025	1,205,000	400,500	400,500	2,006,000
2026	1,265,000	370,375	370,375	2,005,750
2027	1,325,000	338,750	338,750	2,002,500
2028	1,395,000	305,625	305,625	2,006,250
2029	1,460,000	270,750	270,750	2,001,500
2030	1,535,000	234,250	234,250	2,003,500
2031	1,610,000	195,875	195,875	2,001,750
2032	1,695,000	155,625	155,625	2,006,250
2033	1,775,000	113,250	113,250	2,001,500
2034	1,865,000	68,875	68,875	2,002,750
2035	1,935,000	35,072	35,072	2,005,144
	<u>\$ 24,075,000</u>	<u>\$ 5,996,522</u>	<u>\$ 5,996,522</u>	<u>\$ 36,068,044</u>

GULF COAST AUTHORITY
TSI-6 CHANGES IN LONG-TERM BONDED DEBT
Year ended December 31, 2017

Revenue Bonds	Interest Rate	Bonds Outstanding 1/1/17	Bonds Sold During 2017	Bonds Refunded During 2017	Requirements Fiscal Year 2016			Total	Bonds Outstanding 12/31/17
					Principal Due 10/01	Interest Due 04/01	Interest Due 10/01		
Series 2013									
Revenue and Refunding									
Bonds	3.0-5.0	\$ 39,065,000	\$ -	\$ -	\$ 2,875,000	\$ 903,644	\$ 903,644	\$ 4,682,288	\$ 36,190,000
Series 2015									
Revenue									
Bonds	2.0-5.0	\$ 24,930,000	\$ -	\$ -	\$ 855,000	\$ 574,850	\$ 574,850	\$ 2,004,700	\$ 24,075,000
		<u>\$ 63,995,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,730,000</u>	<u>\$ 1,478,494</u>	<u>\$ 1,478,494</u>	<u>\$ 6,686,988</u>	<u>\$ 60,265,000</u>

Paying Agent's Name & City

Series 2013 and 2015 The Bank of New York Mellon Dallas, TX

Debt Service Reserve Fund cash and investments balances as of December 31, 2017 \$ 5,015,765

Average Annual Debt Service payment (Principal and Interest) for remaining term of all debt \$ 4,640,346

GULF COAST AUTHORITY
TSI-7 SCHEDULE OF REVENUES AND EXPENSES
Enterprise Funds
For Five Years ended December 31, 2017

	Amounts				
	2017	2016	2015	2014	2013
Operating revenues					
Charges for services					
Services to industries	\$62,969,599	\$59,992,734	\$59,573,997	\$55,570,104	\$53,320,897
Services to municipalities	2,816,964	2,705,221	2,769,723	3,321,798	3,555,135
Other	1,783,197	986,314	582,083	448,134	364,394
Total revenues	67,569,760	63,684,269	62,925,803	59,340,036	57,240,426
Expenditures					
Cost of sales and services	46,852,819	44,339,421	45,011,260	43,927,467	44,910,104
Administrative	3,577,296	3,694,670	3,618,295	3,258,492	2,981,431
Depreciation	8,448,619	9,493,602	8,310,028	8,246,103	8,410,599
Total expenditures	58,878,734	57,527,693	56,939,583	55,432,062	56,302,134
Operating income (loss)	8,691,026	6,156,576	5,986,220	3,907,974	938,292
Non-Operating Revenues (Expenses)					
Interest income	629,283	687,156	277,784	350,384	1,080
Interest expense	(2,573,376)	(2,704,239)	(2,788,107)	(1,879,274)	(2,182,607)
Gain (loss) on disposal of capital asset	(589)	(77,768)	79,437	(51,237)	1,023
Operating contributions	-	-	-	10,954	-
Insurance proceeds	814	-	-	-	-
Total non-operating revenues (expenses)	(1,943,868)	(2,094,851)	(2,430,886)	(1,569,173)	(2,180,504)
Income (loss) before contributions	6,747,158	4,061,725	3,555,334	2,338,801	(1,242,212)
Capital Contributions, net	3,510,619	2,870,910	8,312,075	7,064,990	4,865,128
Change in Net Position	<u>\$ 10,257,777</u>	<u>\$ 6,932,635</u>	<u>\$ 11,867,409</u>	<u>\$ 9,403,791</u>	<u>\$ 3,622,916</u>
Total active industrial and municipal participants	<u>203</u>	<u>203</u>	<u>199</u>	<u>176</u>	<u>156</u>

Percent of Total Revenues

2017	2016	2015	2014	2013
93.2%	94.2%	94.7%	93.6%	93.2%
4.2%	4.2%	4.4%	5.6%	6.2%
2.6%	1.5%	0.9%	0.8%	0.6%
100.0%	100.0%	100.0%	100.0%	100.0%
69.3%	69.6%	71.5%	74.0%	78.5%
5.3%	5.8%	5.8%	5.5%	5.2%
12.5%	14.9%	13.2%	13.9%	14.7%
87.1%	90.3%	90.5%	93.4%	98.4%
12.9%	9.7%	9.5%	6.6%	1.6%
0.9%	1.1%	0.4%	0.6%	0.0%
-3.8%	-4.2%	-4.4%	-3.2%	-3.8%
0.0%	-0.1%	0.1%	-0.1%	0.0%
0.0%			0.0%	
-2.9%	-3.3%	-3.9%	-2.6%	-3.8%
10.0%	6.4%	5.7%	3.9%	-2.2%
5.2%	4.5%	13.2%	11.9%	8.5%
15.2%	10.9%	18.9%	15.8%	6.3%

GULF COAST AUTHORITY

TSI-8 BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL

Year ended December 31, 2017

Complete District Mailing Address:	<u>910 Bay Area Boulevard, Houston, Texas 77058</u>
District Business Telephone Number:	<u>(281) 488-4115</u>
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	<u>12/17</u>
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution - TWC Section 49.060)	<u>\$7,200</u>

Board Members	Term of Office or Date Hired *	Elected/ Appointed	Fees of office paid 12/31/17	Expenses reimbursed 12/31/17	Title at Year End
Franklin D.R. Jones, Jr.	09/01/15 - 08/31/17	Appointed (2)	\$ 7,200	\$ 8,634	Chairman
Rita Standridge	09/01/16 - 08/31/18	Appointed (3)	5,550	2,132	Vice Chair
Irvin W. Osborne-Lee, Ph.D.	09/01/16 - 08/31/17	Appointed (3)	7,200	6,345	Treasurer
Stan Cromartie	09/01/16 - 08/31/17	Appointed (1)	4,950	729	Secretary
J. Mark Schultz	09/01/16 - 08/31/17	Appointed (2)	2,400	1,272	Member
Nancy C. Blackwell	09/01/16 - 08/31/17	Appointed (1)	4,500	1,813	Member
Ron Crowder	09/01/15 - 08/31/17	Appointed (3)	1,650	155	Member
Lamont E. Meaux	09/01/14 - 08/31/16	Appointed (1)	3,750	2,844	Member
Chris Peden	09/01/15 - 08/31/17	Appointed (2)	5,850	2,544	Member

Key Administrative Personnel:

Lori Traweek	07/29/17	N/A	\$ 275,015	\$ 12,851	Chief Executive Officer
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Consultants:

Olson and Olson	01/01/80	N/A	\$ 149,433		General Counsel
Whitley Penn, LLP	10/01/06	N/A	\$ 85,216		External Auditors

*Note: Under State law, Directors whose terms have expired continue to serve until they are reappointed or a replacement is appointed and qualified. Members are appointed by (1) Governor; (2) County Commissioners Court; or (3) Consortium of Mayors