



Gulf Coast Authority

910 Bay Area Boulevard • Houston, Texas 77058

Phone: 281.488.4115 • Fax: 281.488.3331 • www.gcatx.org

NOTICE OF MEETING GULF COAST AUTHORITY

Notice is hereby given of a meeting of the Audit Committee of the Board of Directors of the Gulf Coast Authority (GCA), and in accordance with the order of the Office of the Governor issued March 16, 2020, this meeting will be held at 4:30 p.m. April 16, 2020 in GCA's Executive Conference Room at 910 Bay Area Blvd., Houston, Texas, by telephone conference in order to advance the public health goal of limiting face-to-face meetings (also called "social distancing") to slow the spread of the Coronavirus (COVID-19). **There will be no public access to the location described above.** [The toll-free dial-in number to participate in the telephone conference call is: 1(866) 215-5503, Passcode: 6917902#. A QUORUM OF THE BOARD OF DIRECTORS MAY BE PRESENT ON THE CALL. At this meeting, the Committee may discuss, deliberate and act on the following matters:

AGENDA

1. Receive public comments, if any, on agenda items 2 and 3.
2. Review the Auditors' comments and recommendations for process improvement.
3. Review the draft of the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2019.
4. Adjournment.

Closed meeting: If during the meeting the Board members present decide to deliberate any matter above in closed meeting as permitted by Texas Government Code Chapter 551, Subchapter D, including Sections 551.071 (consultation with attorney), 551.072 (real property), 551.074 (personnel), or 551.076 (security device), then the Board members may conduct a closed meeting.

The Agenda for this meeting may be viewed at: <https://www.gcatx.org/why-gca/board-meeting-agendas/>. A recording of the telephonic meeting will be available in accordance with the Open Meetings Act upon written request.



W. Chris Peden, Secretary
Gulf Coast Authority

April 10, 2020

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

In planning and performing our audit of the financial statements of Gulf Coast Authority (the “Authority” or “GCA”) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated April 10, 2020 on the financial statements of the Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

2019-001 – Emergency Purchases and Contract Awards for Ongoing Repair Projects

Condition: During our audit, we selected a sample of vendors in which the Authority incurred over \$75,000 of expenses during the year in order to determine compliance with the requirements set forth by the Texas Water Code and the Authority’s Purchasing Policy.

Criteria: The requirements regarding contract awards and the exclusion of emergency purchases from competitive procurement are defined as follows:

Texas Water Code Section 49.273(a):

“The board shall contract for construction and repair and renovation of district facilities and for the purchase of equipment, materials, machinery, and all things that constitute or will constitute the plant, works, facilities, or improvements of the district in accordance with this section.”

Gulf Coast Authority Purchasing Policy (Policy #202; Revised April 24, 2018):

“All emergency purchases must be approved by the General Manager. These purchases are exempt from competitive bidding only after formal declaration by the GM that an emergency exists. The GM shall report in writing to the Board any emergency purchases exceeding \$75,000.”

Description: The Authority incurred over \$75,000 in expenses with a vendor for emergency purchases in the current year and each of the two previous years. The total amount of expenses over the three-year period was approximately \$1.0 million. The Authority was unable to provide (1) a contract for repair of the pipeline; (2) formal declaration by the GM that an emergency existed; and (3) notification to the Board of the purchases exceeding \$75,000. We also noted that purchases orders were not typically created until after invoice was received by the Authority subsequent to the service being provided.

2019-001 – Emergency Purchases and Contract Awards for Ongoing Repair Projects (continued)

Recommendation: The Authority should ensure all purchases made under the emergency exclusion are in compliance with the requirements set forth by the Texas Water Code and the Authority’s Purchasing Policy. The Authority should implement procedures to ensure contracts are in place for the ongoing repair of facilities to the extent that management reasonably expects the cost of repairs during one year to exceed \$75,000 based on historical information or other forecasting methods. If appropriate, a blanket purchase order (“BPO”) should be utilized, subsequent to contract award, and purchases under the BPO should not exceed the spending limit authority in accordance with the Authority’s Purchasing Policy.

Management’s Response: The Authority has effective procedures to ensure contracts are in place for the ongoing repair of facilities to the extent that management reasonably expects the cost of repairs during one year to exceed \$75,000 based on historical information or other forecasting methods. Cumulative spend is reviewed with Senior Management twice annually. The referenced expenses for pipeline repair at the Bayport Facility were reviewed in early 2019. A discussion was had with legal counsel at that time as to if a bid process should be executed related to this spend. Legal counsel advised that each occurrence should be considered individually and that the cumulative spend did not call for a bid process to be completed. Upon completion of this review, and based on advice from legal counsel, it was decided that a bid process was not required related to this spend. During the November audit process, the auditors recommended that, even if a bid is not required, that a bid process might be considered a “best practice” since we can anticipate that the annual spend will exceed \$75,000. When differences occur between the recommendation of legal counsel and the auditors, management will generally accept the higher standard recommended between the two. GCA management has proposed to complete a bid process related to this spend in 2020.

Purchases made under the emergency exclusion are in compliance with the requirements set forth in the appropriate Texas Government Codes and the Authority’s Purchasing Policy. GCA policy calls for acknowledgement of the General Manager for an emergency exemption from competitive purchase requirements on individual transactions over \$25,000. This applies to only two of the twenty-one purchases in 2019. GCA policy calls for Board advisement when using an emergency exemption from competitive purchase requirements for individual purchases greater than \$75,000. None of the twenty-one purchases in 2019 were greater than \$75,000. The spend related to pipeline repairs is charged under facility maintenance which is budgeted for and Board approved. This type of spend also has an exemption from additional Board advisement as allowed in GCA purchasing policy (Policy #: 202, Revised 04/24/2018, section XI, GM AUTHORIZED EXPENDITURES – Routine Maintenance of Facilities).

Total expenses for each pipeline repair cannot be known until the repair is completed and the invoice is received. Purchase orders are generated after receipt of the invoice for tracking purposes.

2019-002 – Change Orders

Condition: During our audit, we selected a sample of vendors in which the Authority incurred over \$75,000 of expenses during the year in order to determine compliance with the requirements set forth by the Texas Water Code and the Authority’s Purchasing Policy.

Criteria: The requirements regarding change orders are defined as follows:

Texas Water Code Section 49.273(i):

“If changes in plans, specifications, or scope of work are necessary or beneficial to the district, as determined by the board, after the performance of the contract is begun, or if it is necessary or beneficial to the district, as determined by the board, to decrease or increase the quantity of the work to be performed or of the materials, equipment, or supplies to be furnished, the board may approve change orders making the changes. The board may grant authority to an official or employee responsible for purchasing or for administering a contract to approve a change order that involves an increase or decrease of \$50,000 or less. The aggregate of the change orders that increase the original contract price by more than 25 percent may be issued only as a result of unanticipated conditions encountered during construction, repair, or renovation or changes in regulatory criteria or to facilitate project coordination with other political entities.”

2019-002 – Change Orders (continued)

Gulf Coast Authority Purchasing Policy (Policy #202; Revised January 30, 2018):

“If changes in plans or specifications are necessary after the performance of a contract is begun, or if it is necessary to decrease or increase the quantity of the work to be performed or of the materials, equipment, or supplies to be furnished, the Board has authorized the GM to approve a change order that involves an increase or decrease of \$50,000 or less; provided, further, the aggregate of the change orders may not increase the original contract price by more than 10 percent. Additional change orders may be issued only as a result of unanticipated conditions encountered during construction, repair, or renovation or changes in regulatory criteria or to facilitate project coordination with other political entities.”

Description: The Authority issued a purchase order in the amount of \$450,000 for an original maintenance agreement. Three additional purchase orders related to the same maintenance agreement were subsequently issued for a total of approximately \$110,000, which exceeded \$50,000 and 10% of the original contract. The Authority was unable to provide support for additional approval by the Board.

Recommendation: The Authority should implement procedures to ensure change orders exceeding \$50,000 are approved by the Board. They should also monitor purchase orders to ensure subsequent purchase orders issued to not exceed 10 percent of the original contract amount. Purchase orders should be utilized

Management’s Response: The referenced additional purchase orders are not intended to increase the spend amount, rather they are for tracking purposes only for individual projects under the contract. To make this clear in the future, the original PO amount will be reduced as new tracking PO’s are created with the intention that the sum of all contract related PO’s will match the Board approved contract amount.

2019-003 – Contract Maintenance

Condition: During our audit, we selected a sample of customer receipts and compared them to contracts to ensure the customers were paying the correct amount.

Criteria: Customers are required to be billed according to amounts set forth in their contract agreements.

Description: Out of the 40 customer receipts sampled, 1 of the customers was being charged an amount that did not match the contract on file with the Authority. It was noted by management that the customer was being charged the correct amount, but the contract was incorrect. However, the Authority was unable to provide an amended contract with amounts that agreed to the amount charged to the customer.

Recommendation: The Authority should obtain an amended contract with the customer and charge the customer in an amount that agrees to the contract. They should also implement procedures to ensure contract provisions are reviewed and approved to ensure customers are billed the correct amount.

Management’s Response: Management has decided that GCA will bill the customer according to the signed contract going forward.

We believe that the implementation of these recommendations will provide the Authority with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management, the Audit Committee, and the Board of Directors. It is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

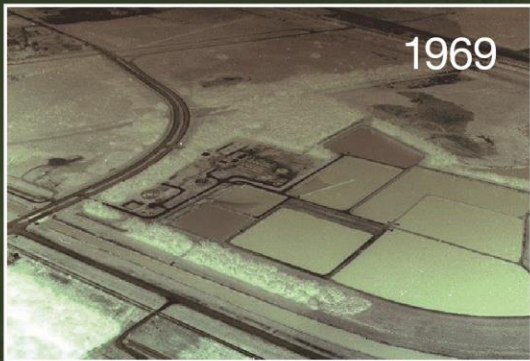


Houston, Texas
April 10, 2020

Gulf Coast Authority, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2019



2019

1969-2019

GCA's 50TH ANNIVERSARY

A PIONEER IN WASTEWATER TREATMENT



Cover Photo courtesy of Phyllis Frank, Facility Manager at Washburn Tunnel

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

For the Year Ended
December 31, 2019

Prepared by:

Amanda Wilbert, CPA, CGFO, CFE
Director of Accounting

Thuy Doan
Senior Accountant

Carrie Latimer
Accountant

Kathy Gibbs
Accounting Clerk

Jessica Blasky
Accounting Clerk

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

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GULF COAST AUTHORITY
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INTRODUCTORY SECTION

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Gulf Coast Authority

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April 10, 2020

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 fiscal 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 fiscal year ended December 31, 2019.

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 fiscal 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 fiscal year ended December 31, 2019, 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 fiscal year ended December 31, 2019 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 the 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 regional wastewater treatment facilities; involvement in community environmental projects; operation of industrial water systems; 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, and the Vince Bayou Facility. 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 2019, 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-Sugar Land-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 4,600 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 country's fifth 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 3.6% as of December 31, 2019, down almost 8% from a year ago. It also reports that there are currently 3.2 million jobs, the highest level in Houston's history according to the Greater Houston Partnership (GHP). The outlook for growth of the region has slowed slightly with the GHP estimating 42,300 new non-farm jobs for 2020.

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 \$174 million in planned additions to existing facilities. The Bayport Facility accounts for almost \$138 million of the total with additions to maintain reliability as well as to maintain compliance with air and water permits. Other additions include \$8.3 million at the Blackhawk Facility; \$10.1 million at the Washburn Tunnel Facility; \$1.5 million at the 40-Acre Facility; \$3.7 million at the Odessa facility; \$9.2 million at the Campbell Bayou Facility; \$1.1 million at the Central Lab Facility, and \$2.7 million 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 to monitor federal laws for allowing tax-exempt financing of certain water, wastewater and air pollution control facilities.

Awards and Acknowledgments

The Authority's 40-Acre, Odessa South, Washburn Tunnel, and Blackhawk Facilities received a Silver Award for their permit compliance achievements during the 2018 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 fiscal year ended December 31, 2018. This was the 32nd 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/Chief Executive Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

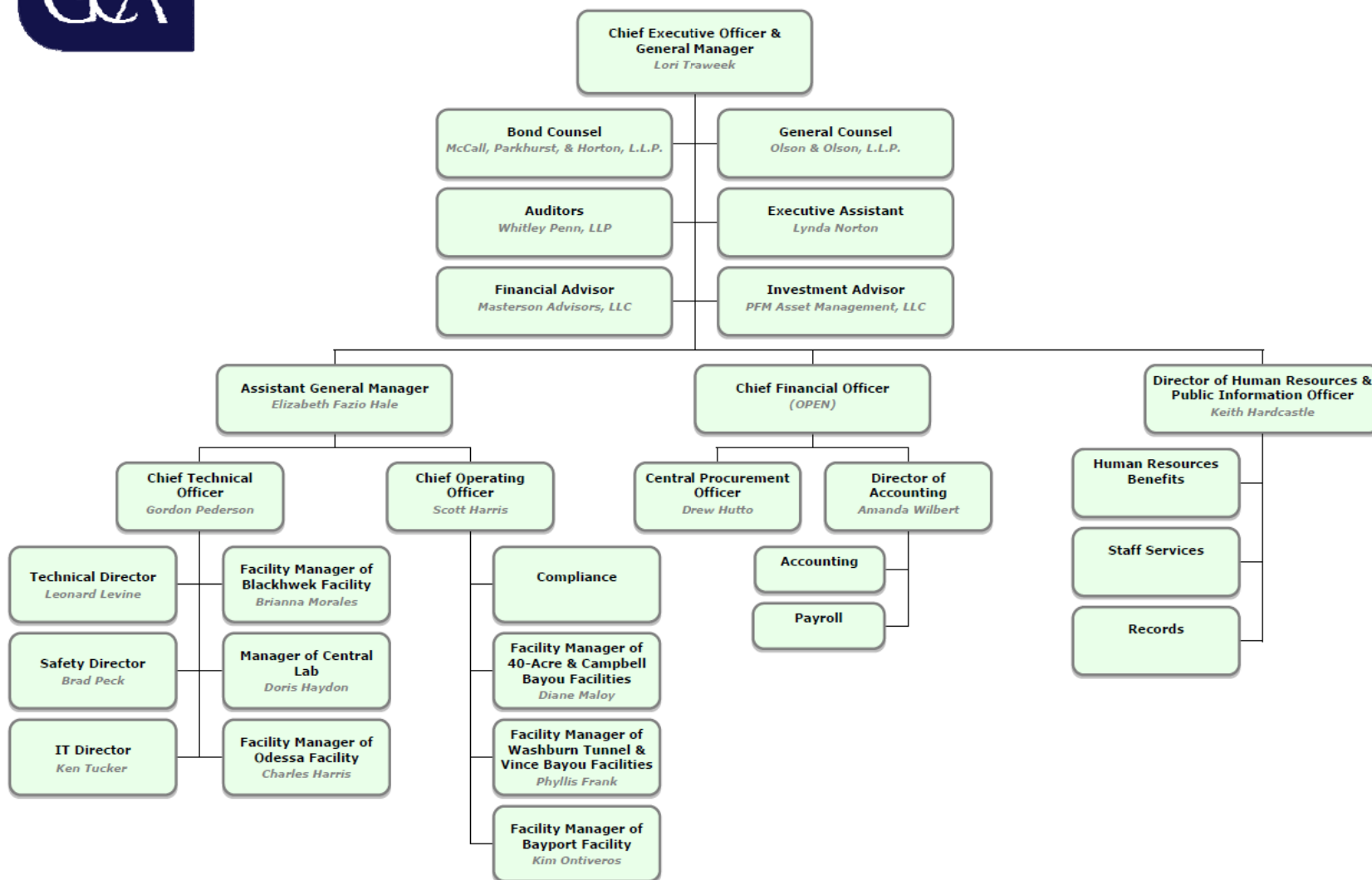
**Gulf Coast Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



Gulf Coast Authority

December 31, 2019

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

Kevin Scott
Representing Galveston County

Appointed by Governor

Secretary

W. Chris Peden, CPA
Representing Galveston County

Appointed by County Commissioners Court

Directors

Vacant
Representing Harris County

Appointed by Consortium of Mayors

Billy J. Enochs
Representing Galveston County

Appointed by Consortium of Mayors

J. Mark Schultz
Representing Chambers County

Appointed by County Commissioners Court

Gloria Anays Millian Matt
Representing Harris County

Appointed by Governor

Lamont E. 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 Fazio Hale, Secretary

GOVERNANCE AND NOMINATING COMMITTEE

W. Chris Peden, Chairman
Mark Schultz
Rita Standridge
Gloria Matt

AUDIT COMMITTEE

Kevin Scott, Chairman
Rita Standridge
W. Chris Peden, CPA

BUDGET REVIEW COMMITTEE

Kevin Scott, Chairman
Lamont E. Meaux
W. Chris Peden, CPA

ECONOMIC DEVELOPMENT COMMITTEE

Rita Standridge, Chairman
Lamont E. Meaux
Kevin Scott
Gloria Matt
Billy J. Enochs

LEGISLATIVE COMMITTEE

Mark Schultz, Chairman
Rita Standridge
Lamont E. Meaux
W. Chris Peden, CPA
Kevin Scott

**** 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.**

Revised: December 2019

GULF COAST AUTHORITY
ADMINISTRATIVE STAFF AND CONSULTANTS

Senior Staff & Consultants

Chief Executive Officer/General Manager

Lori Traweek

Assistant General Manager

Elizabeth Fazio Hale

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

Masterson Advisors, LLC

Houston, Texas

Auditors

Whitley Penn, LLP

Houston, Texas

General Office

Gulf Coast Authority

910 Bay Area Boulevard

Houston, Texas 77058

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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019, 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 and required other post-employment benefit system supplementary information as listed in the table of contents 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.

Houston, Texas
April 10, 2020

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, 2019. 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 - iii 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, liabilities, and deferred inflows of resources, with the difference between the four 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 13.

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, Fulshear Wastewater Treatment Plant, 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.

The basic proprietary fund financial statements can be found on pages 15-17 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* reported in the government-wide financial statements because the resources of those funds *are* not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Authority maintains two different types of fiduciary funds. The Pension and Other Post-Employment Benefit Trust Funds are used to report resources held in trust for retirees and beneficiaries covered by the *Gulf Coast Authority 401(a) Money Purchase Plan* and the *Gulf Coast Authority Other Post-Employment Benefit Trust*. The Custodial Fund reports resources held by the Authority in a custodial capacity for individuals participating in the flexible spending account program.

The fiduciary fund financial statements can be found on pages 18-19 of this report.

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

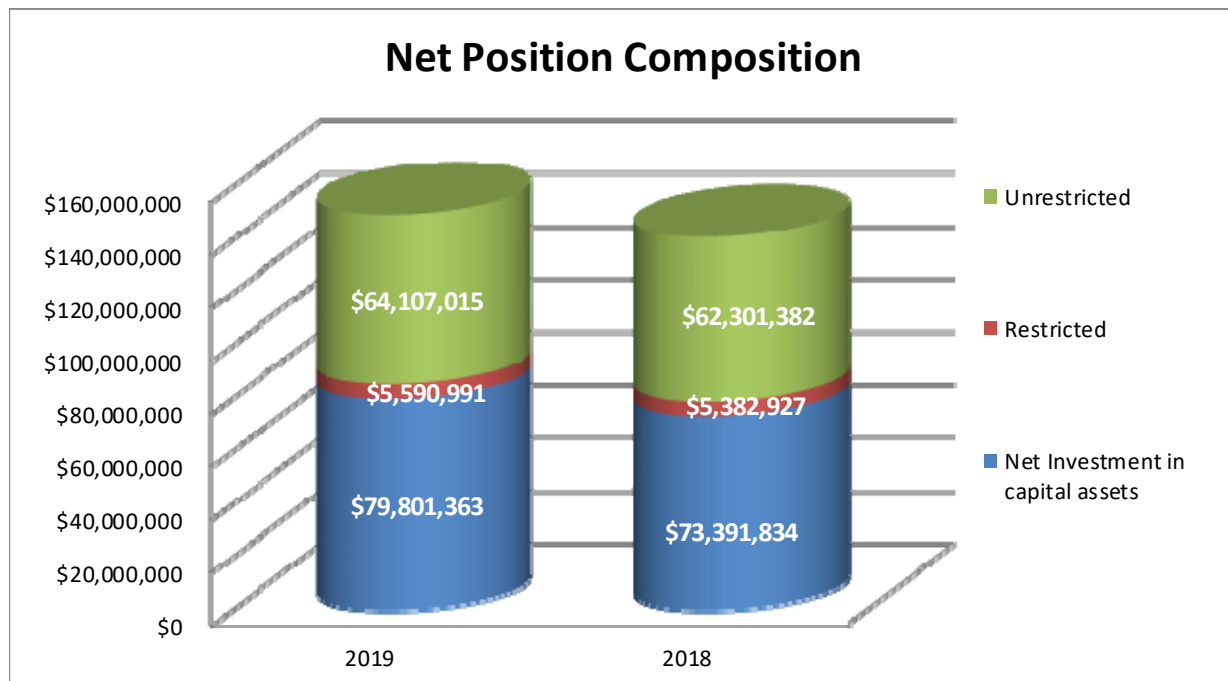
As noted earlier, net position may serve as an indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$149.5 million at the close of the 2019 year.

Gulf Coast Authority
Net Position

December 31, 2019 with comparative totals for December 31, 2018

| | 2019 | 2018 | Increase / (Decrease) | |
|--------------------------------------|----------------|----------------|-----------------------|---------|
| | | | \$ | % |
| Current and other assets | \$ 136,043,065 | \$ 145,565,743 | \$ (9,522,678) | -6.54% |
| Capital assets | 138,127,090 | 121,898,296 | 16,228,794 | 13.31% |
| Total assets | 274,170,155 | 267,464,039 | 6,706,116 | 2.51% |
| | | | | |
| Total deferred outflows of resources | 3,301,159 | 4,659,940 | (1,358,781) | -29.16% |
| | | | | |
| Long term liabilities | 109,176,864 | 114,729,080 | (5,552,216) | -4.84% |
| Other liabilities | 17,477,767 | 15,527,101 | 1,950,666 | 12.56% |
| Total liabilities | 126,654,631 | 130,256,181 | (3,601,550) | -2.76% |
| | | | | |
| Total deferred inflows of resources | 1,317,314 | 791,655 | 525,659 | 66.40% |
| | | | | |
| Net Position: | | | | |
| Net Investment in capital assets | 79,801,363 | 73,391,834 | 6,409,529 | 8.73% |
| Restricted | 5,590,991 | 5,382,927 | 208,064 | 3.87% |
| Unrestricted | 64,107,015 | 62,301,382 | 1,805,633 | 2.90% |
| Total Net Position | \$ 149,499,369 | \$ 141,076,143 | \$ 8,423,226 | 5.97% |

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 \$149.5 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 8.7% increase in net position invested in capital assets is primarily due to additions to capital assets of \$25.8 million. This was offset by the approximately \$9.4 million recognized in 2019 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 \$64.1 million, representing a 2.9% increase from 2018. Unrestricted net position may be used to meet the Authority's ongoing liabilities.

Current and other assets decreased \$9.5 in 2019. This decrease is due to a decrease in cash equivalents resulting from spending down bond proceeds during the current year.

The \$3.6 million (2.8%) decrease in total liabilities is due to a reduction in outstanding bonds payable after making scheduled debt payments during the year.

Total net position increased by \$8.4 million in 2019. The components of the changes are as follows:

| | 2019 | 2018 | Increase / (Decrease) | |
|---|----------------|----------------|------------------------------|----------|
| | | | \$ | % |
| Revenues: | | | | |
| Program revenues | | | | |
| Charges for services | \$ 71,035,014 | \$ 71,902,443 | \$ (867,429) | -1.2% |
| Capital grants and contributions | 1,379,434 | 821,594 | 557,840 | 67.9% |
| Total program revenues | 72,414,448 | 72,724,037 | (309,589) | -0.4% |
| Unrestricted investment earnings (loss) | 3,727,520 | 2,134,690 | 1,592,830 | 74.6% |
| Total revenues | 76,146,165 | 74,858,727 | 1,287,438 | 1.7% |
| Expenses: | | | | |
| General services | 1,249,518 | 762,797 | 486,721 | 63.8% |
| Wastewater treatment | 65,539,309 | 63,292,202 | 2,247,107 | 3.6% |
| Solid waste disposal | 934,112 | 968,693 | (34,581) | -3.6% |
| Total expenses | 67,722,939 | 65,023,692 | 2,699,247 | 4.2% |
| Change in Net Position | 8,423,226 | 9,835,035 | (1,411,809) | -14.4% |
| Beginning Net Position | 141,076,143 | 131,241,108 | 9,835,035 | 7.5% |
| Ending Net Position | \$ 149,499,369 | \$ 141,076,143 | \$ 8,423,226 | 6.0% |

Capital grants and contributions increased in 2019 by \$0.6 due to additional capital projects during the current year. Charges for services decreased by \$0.9 million due primarily to decreased wastewater flows from customers in 2019.

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

Unrestricted investment earnings increased by \$1.6 due to more favorable investment performance during 2019.

Total expenses increased by \$2.7 million during 2019 due to gradual increases in the cost of personnel and services.

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, 2019, totaled \$138.1 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 13.3%. Depreciation expense for the year was \$9.4 million. Construction in progress increased \$9.5 million. Capital assets (net of depreciation) as of December 31, 2019 with comparative totals for December 31, 2018 are as follows:

| | | | Increase/(Decrease) | |
|--|-----------------------|-----------------------|----------------------------|--------------|
| | 2019 | 2018 | \$ | % |
| Land | \$ 5,174,541 | \$ 5,174,541 | \$ - | - |
| Buildings | 687,927 | 378,025 | 309,902 | 0.82 |
| Waste treatment facilities and equipment | 101,533,768 | 95,584,932 | 5,948,836 | 6.2% |
| Administrative furniture and equipment | 1,844,984 | 1,338,176 | 506,808 | 37.9% |
| Construction in progress | 28,885,870 | 19,422,622 | 9,463,248 | 48.7% |
| | <u>\$ 138,127,090</u> | <u>\$ 121,898,296</u> | <u>\$ 16,228,794</u> | <u>13.3%</u> |

Major capital asset outlays during the year 2019 included the following:

| Capital Outlay Description | Capital Outlay |
|---|-----------------------|
| East Battle Ground Wastewater Treatment Plant - | |
| Wastewater Treatment Plant - Engineering | \$ 1,149,580 |
| Plant improvements at the Bayport Facility: | |
| Biosan Pipeline Assessment and Upgrade | 665,384 |
| 2nd Step Basin #1 Support Concrete Repair | 905,139 |
| Plant Electrical Improvement | 1,067,212 |
| DTB Pump Upgrade | 1,493,192 |
| Inplant Piping Upgrade | 1,691,963 |
| Clarifier 1, 2, 3 Motor Control Center | 1,731,797 |
| Organic Capacity Evaluation and Upgrade | 12,987,824 |
| General Fund - Central Office Building Roof Replacement | 436,188 |
| Equipment Services Fund - Terrain Crane | 494,075 |
| | <u>\$ 22,622,354</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.

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

Debt

At the end of the current year, the Authority had \$86 million in debt outstanding compared to \$90 million last year. The decrease is due to payments on the bonds during the 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 Year's Rates

According to the U.S. Census Bureau, the current unemployment rate for the Houston Area is 3.6%. This is comparable to the national rate of 3.5% and the Texas rate of 3.5%. The Greater Houston Partnership forecasts the 10-county Houston metro area will create 42,300 jobs in 2020 which will bring its employment to 3.2 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 rate increase for the Bayport Area System Facility Division for fiscal year 2020 that increases projected revenue by almost 10%.

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

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GULF COAST AUTHORITY*Statement of Net Position**December 31, 2019*

| | Business Type Activities |
|---|-------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 21,453,518 |
| Marketable securities | 58,035,184 |
| Receivables, net | 13,097,920 |
| Prepays | 964,089 |
| Restricted assets: | |
| Cash and cash equivalents | 41,682,243 |
| Marketable securities | 809,776 |
| Accrued interest | 335 |
| Capital assets not being depreciated: | |
| Land | 5,174,541 |
| Construction in progress | 28,885,870 |
| Capital assets net of accumulated depreciation: | |
| Plant and equipment | 104,066,679 |
| Total assets | 274,170,155 |
| Deferred Outflows of Resources | |
| Deferred loss on refunding | 427,802 |
| Deferred outflows - OPEB | 2,873,357 |
| Total deferred outflows of resources | 3,301,159 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 9,352,514 |
| Wages payable | 680,696 |
| Accrued bond interest | 970,153 |
| Unearned revenue | 6,474,404 |
| Noncurrent liabilities: | |
| Due within one year | 6,251,743 |
| Due in more than one year | 101,315,240 |
| Working capital deposits | 1,609,881 |
| Total liabilities | 126,654,631 |
| Deferred Inflows of Resources | |
| Deferred inflows - OPEB | 1,317,314 |
| Total deferred inflows of resources | 1,317,314 |
| Net Position | |
| Net investment in capital assets | 79,801,363 |
| Restricted: | |
| Debt service | 4,821,546 |
| Contingency reserve | 769,445 |
| Unrestricted | 64,107,015 |
| Total Net Position | \$ 149,499,369 |

See notes to the financial statements

GULF COAST AUTHORITY**Statement of Activities - Business Type Activities****For the year ended December 31, 2019**

| Functions/Programs | Expenses | Program Revenues | | Net Revenue (Expense) and Changes in Net Position |
|---------------------------|----------------------|---------------------------------|---|--|
| | | Charges for Services | Capital Grants and Contributions | |
| General services | \$ 1,249,518 | \$ 2,182,082 | \$ 71,533 | \$ 1,004,097 |
| Wastewater treatment | 65,539,309 | 67,937,673 | 1,307,901 | 3,706,265 |
| Solid waste disposal | 934,112 | 915,259 | - | (18,853) |
| | <u>\$ 67,722,939</u> | <u>\$ 71,035,014</u> | <u>\$ 1,379,434</u> | <u>4,691,509</u> |
| | | | | |
| | | | | Unrestricted investment earnings 3,727,520 |
| | | | | Miscellaneous 4,197 |
| | | | | <u>Total general revenues 3,731,717</u> |
| | | | | |
| | | | | Change in Net Position 8,423,226 |
| | | | | |
| | | | | <u>Beginning Net Position 141,076,143</u> |
| | | | | <u>Ending Net Position \$ 149,499,369</u> |

See notes to the financial statements

GULF COAST AUTHORITY
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2019

| | Enterprise Fund | Internal Service Fund |
|--|----------------------------|--------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 19,230,789 | \$ 2,222,729 |
| Marketable securities | 52,008,702 | 6,026,482 |
| Receivables, net | 13,097,920 | - |
| Prepays | 605,789 | 358,300 |
| Restricted assets: | | |
| Cash and cash equivalents | 41,682,243 | - |
| Marketable securities | 809,776 | - |
| Accrued interest | 335 | - |
| Total current assets | <u>127,435,554</u> | <u>8,607,511</u> |
| Noncurrent Assets: | | |
| Capital assets: | | |
| Land | 5,174,541 | - |
| Construction in progress | 28,014,346 | 871,524 |
| Plant and equipment | 297,921,027 | 7,362,707 |
| Less accumulated depreciation | <u>(195,649,594)</u> | <u>(5,567,461)</u> |
| Total capital assets (net of accumulated depreciation) | <u>135,460,320</u> | <u>2,666,770</u> |
| Total noncurrent assets | <u>135,460,320</u> | <u>2,666,770</u> |
| Total assets | <u>262,895,874</u> | <u>11,274,281</u> |
| Deferred Outflows of Resources | | |
| Deferred loss on refunding | 427,802 | - |
| Deferred outflows - OPEB | <u>-</u> | <u>2,873,357</u> |
| Total deferred outflows of resources | <u>427,802</u> | <u>2,873,357</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,282,667 | \$ 69,847 |
| Wages payable | 680,696 | - |
| Accrued bond interest | 970,153 | - |
| Current portion of accrued compensated absences | - | 1,454,172 |
| Current portion of bonds payable | 4,797,571 | - |
| Unearned revenue | 6,474,404 | - |
| Total current liabilities | <u>22,205,491</u> | <u>1,524,019</u> |
| Noncurrent liabilities: | | |
| Accrued compensated absences | - | 1,313,738 |
| Net OPEB liability | - | 10,114,334 |
| Bonds payable (net of unamortized discount) | 89,887,168 | - |
| Working capital deposits | <u>1,609,881</u> | <u>-</u> |
| Total noncurrent liabilities | <u>91,497,049</u> | <u>11,428,072</u> |
| Total liabilities | <u>113,702,540</u> | <u>12,952,091</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows - OPEB | <u>-</u> | <u>1,317,314</u> |
| Total deferred inflows of resources | <u>-</u> | <u>1,317,314</u> |
| Net Position | | |
| Net investment in capital assets | 77,134,593 | 2,666,770 |
| Restricted: | | |
| Debt service | 4,821,546 | - |
| Contingency reserve | 769,445 | - |
| Unrestricted | <u>66,895,552</u> | <u>(2,788,537)</u> |
| Total Net Position | <u>149,621,136</u> | <u>\$ (121,767)</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund | <u>(121,767)</u> | |
| Net Position of the business-type activities | <u>\$ 149,499,369</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, 2019**

| | Enterprise Fund | Internal Service Fund |
|--|------------------------------|--------------------------------------|
| Operating revenues | | |
| Charges for sales and services | | |
| Services to industries | \$ 65,792,014 | \$ - |
| Services to municipalities | 4,111,071 | - |
| Intragovernmental | - | 4,028,014 |
| Other | 1,249,125 | 738,732 |
| Total operating revenues | <u>71,152,210</u> | <u>4,766,746</u> |
| Operating expenses | | |
| Costs of sales and services | 50,253,488 | 1,969,066 |
| Administration | 3,822,593 | 3,303,397 |
| Depreciation | 9,036,816 | 405,677 |
| Total operating expenses | <u>63,112,897</u> | <u>5,678,140</u> |
| Operating income (loss) | <u>8,039,313</u> | <u>(911,394)</u> |
| Nonoperating revenues (expenses) | | |
| Investment income (loss) | 3,465,721 | 261,799 |
| Interest expense | (3,585,948) | - |
| Gain (loss) on disposal of capital assets | (157,500) | 44,800 |
| Insurance proceeds | 4,197 | - |
| Total nonoperating expenses | <u>(273,530)</u> | <u>306,599</u> |
| Capital contributions | <u>1,262,238</u> | <u>-</u> |
| Changes in Net Position | 9,028,021 | (604,795) |
| Beginning Net Position | <u>140,593,115</u> | <u>483,028</u> |
| Ending Net Position | <u><u>\$ 149,621,136</u></u> | <u><u>\$ (121,767)</u></u> |
| Change in Net Position of enterprise fund | \$ 9,028,021 | |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund | <u>(604,795)</u> | |
| Change in net position of business-type activities | <u><u>\$ 8,423,226</u></u> | |

See notes to the financial statements

GULF COAST AUTHORITY
PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended December 31, 2019

| | Enterprise Fund | Internal Service Fund |
|---|----------------------------|--------------------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 70,573,563 | \$ 738,732 |
| Receipts from intragovernmental users | - | 4,028,014 |
| Payments to suppliers | (29,476,104) | (4,453,291) |
| Payments to employees | (21,606,445) | (15,477) |
| Payments to intragovernmental suppliers | (1,988,348) | - |
| Net cash provided by operating activities | <u>17,502,666</u> | <u>297,978</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (25,099,121) | (807,825) |
| Proceeds from sale of capital assets | - | 44,800 |
| Retirement of bonds | (4,070,000) | - |
| Interest paid on capital related debt | (4,087,041) | - |
| Capital contributions received from participants | 1,262,238 | - |
| Net cash provided (used) by capital and related financing activities | <u>(31,993,924)</u> | <u>(763,025)</u> |
| Cash Flows from Investing Activities | | |
| Maturity (purchase) of investments | (317,082) | 447,455 |
| Interest received (paid) | 3,465,720 | 261,799 |
| Net cash used by investing activities | <u>3,148,638</u> | <u>709,254</u> |
| Net increase (decrease) in cash and cash equivalents | (11,342,620) | 244,207 |
| Beginning cash and cash equivalents | <u>72,255,652</u> | <u>1,978,522</u> |
| Ending cash and cash equivalents | <u>\$ 60,913,032</u> | <u>\$ 2,222,729</u> |
| Ending cash and cash equivalents | | |
| Unrestricted cash and cash equivalents | \$ 19,230,789 | \$ 2,222,729 |
| Restricted cash and cash equivalents | 41,682,243 | - |
| | <u>\$ 60,913,032</u> | <u>\$ 2,222,729</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | |
| Operating income (loss) | \$ 8,039,313 | \$ (911,394) |
| Adjustment to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 9,036,816 | 405,677 |
| Changes in Operating Assets and Liabilities | | |
| (Increase) decrease in assets: | | |
| Accounts receivable, net | (1,656,625) | - |
| Prepays | (49,410) | (72) |
| Increase (decrease) in liabilities: | | |
| Wages payable | 99,585 | 113,896 |
| Accounts payable | 955,009 | (21,038) |
| Net OPEB liability and related amounts | - | 710,909 |
| Unearned revenue | 1,048,053 | - |
| Working capital deposits | 29,925 | - |
| Net cash provided by operating activities | <u>\$ 17,502,666</u> | <u>\$ 297,978</u> |

See notes to the financial statements

GULF COAST AUTHORITY*Statement of Fiduciary Net Position**Fiduciary Funds**December 31, 2019*

| | Other Pension and Post-Employment Benefit Trust Funds | Custodial Fund Employee Flexible Spending Agency Fund |
|--------------------------------|--|--|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 312,145 |
| Investments, at fair value: | | |
| Stable Value/Cash Management | 15,433,711 | - |
| Bonds | 4,456,242 | - |
| Guaranteed Lifetime Income | 8,136,976 | - |
| Balanced/Asset Allocation | 7,330,725 | - |
| U.S. Stock | 12,720,775 | - |
| International/Global Stock | 2,504,166 | - |
| Specialty | 411,010 | - |
| Domestic Equities | 4,668,343 | - |
| Fixed Income | 4,004,760 | - |
| Private Equity | 65,542 | - |
| Total Assets | \$ 59,732,250 | \$ 312,145 |
| Net Position | | |
| Restricted for: | | |
| Pensions | \$ 50,993,605 | \$ - |
| Other post-employment benefits | 8,738,645 | - |
| Individuals | - | 312,145 |
| Total Net Position | \$ 59,732,250 | \$ 312,145 |

See notes to the financial statements

GULF COAST AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
Fiduciary Funds
For the year ended December 31, 2019

| | Other Pension and Post-Employment Benefit Trust Funds | Custodial Fund Employee Flexible Spending Agency Fund |
|---|--|--|
| Additions | | |
| Contributions: | | |
| Members | \$ 619,596 | \$ - |
| Employers | 1,608,910 | 124,741 |
| Total contributions | 2,228,506 | 124,741 |
| Investment earnings: | | |
| Net increase/(decrease) in fair value of investments | 8,429,211 | 566 |
| Net investment earnings | 8,429,211 | 566 |
| Other additions: | | |
| Roll-ins | 6,955 | - |
| Loan repayments | 318,377 | - |
| Beneficiary transfers | 224,456 | - |
| Forfeiture credits | 188,691 | - |
| Miscellaneous credits | 50,777 | - |
| Total other additions | 789,256 | - |
| Total additions | 11,446,973 | 125,307 |
| Deductions: | | |
| Benefit payments | 4,079,357 | 117,771 |
| Beneficiary transfers | 224,456 | - |
| Loan issuances | 464,321 | - |
| Forfeiture debits | 188,691 | - |
| Administrative expense | 69,531 | - |
| Total deductions | 5,026,356 | 117,771 |
| Change in Net Position | 6,420,617 | 7,536 |
| Beginning Net Position, as Restated | 53,311,633 | 304,609 |
| Ending Net Position | \$ 59,732,250 | \$ 312,145 |

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.

The Authority reports the following proprietary fund types:

Enterprise Fund. The Authority reports one enterprise fund which 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, Fulshear Wastewater Treatment Plant, 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"). 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.

Additionally, the Authority reports the following fiduciary fund types:

Pension and Other Post-Employment Benefit Trust Funds. These funds were established to accumulate money needed to pay pension and other post-employment benefits to the Authority's retirees and beneficiaries covered by the *Gulf Coast Authority 401(a) Money Purchase Plan* and the *Gulf Coast Authority Other Post-Employment Benefit Trust*. The funds are administered by the International City Managers Association Retirement Corporation.

Custodial Fund. This fund was established to hold employee contributions to the employee's 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.

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 funds are presented using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

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, Fulshear Wastewater Treatment Plant, 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.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

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.

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.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

I. Summary of Significant Accounting Policies (continued)

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

7. 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, net OPEB liability and other accounts. Actual results may differ from these estimates.

10. Implementation of New Standards

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities and criteria for identifying fiduciary activities with a focus generally on (1) whether an Authority controls the assets of the fiduciary activities and (2) the beneficiaries with whom a fiduciary relationship exists. Additional criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Authority had two types of activities that met the criteria to be reported as a fiduciary fund in the basic financial statements: (1) the Pension and Other Post-Employee Benefit Trust Funds and (2) the Custodial Fund. A restatement to the beginning net position was required due to the inclusion of the Gulf Coast Authority 401(a) Money Purchase Plan and Trust.

| | Gulf Coast Authority 401(a) Money Purchase Plan and Trust | Gulf Coast Authority Other Post-Employment Benefit Trust | Total Pension and Other Post- Employment Benefit Trust Funds |
|--|--|---|---|
| Balance as of December 31, 2018 | \$ - | \$ 6,890,538 | \$ 6,890,538 |
| Restated due to implementation of new standards | 46,421,095 | - | 46,421,095 |
| Beginning Net Position, as Restated | <u>\$ 46,421,095</u> | <u>\$ 6,890,538</u> | <u>\$ 53,311,633</u> |

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, 2019, the Authority had the following investments:

| <u>Investment Type</u> | <u>Fair Value / Amortized Cost</u> | <u>Percentage of Portfolio</u> | <u>Weighted Average Maturity (Days)</u> |
|-------------------------------------|--|------------------------------------|---|
| U.S. Agencies | | | |
| FNMA | \$ 4,976,209 | 4% | 1,673 |
| FHLMC | 2,981,926 | 3% | 916 |
| FHLB | 24,954 | 0% | 272 |
| U.S. Treasury Notes | 43,217,415 | 40% | 691 |
| Certificates of Deposit | 1,742,102 | 2% | 306 |
| Municipal Securities | 3,161,193 | 3% | 597 |
| Commercial Paper | 2,741,161 | 2% | 138 |
| State Pools | | 0% | |
| Texpool | 514,928 | 0% | 35 |
| Texas TERM | 45,584,183 | 41% | 29 |
| Texas CLASS | 5,832,934 | 5% | 52 |
| Total fair value | <u>\$ 110,777,005</u> | <u>100%</u> | |
| Portfolio weighted average maturity | | | 410 |

**Reconciliation to Statement of
Net Position**

| | |
|--|-----------------------|
| Total Investments Above | \$ 110,777,005 |
| Demand Deposits | <u>11,203,716</u> |
| Total Cash, Cash Equivalents, and Marketable Securities | <u>\$ 121,980,721</u> |

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, 2019:

| Investment Type | Fair Value | Fair Value Measurements Using | | |
|-------------------------|----------------------|-------------------------------|----------------------|----------------|
| | | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| U.S. Agencies | \$ 7,983,089 | \$ - | \$ 7,983,089 | \$ - |
| U.S. Treasury Notes | 43,217,415 | 43,217,415 | - | - |
| Certificates of Deposit | 1,742,102 | - | 1,742,102 | - |
| Municipal Securities | 3,161,193 | - | 3,161,193 | - |
| Commercial Paper | 2,741,161 | - | 2,741,161 | - |
| | <u>\$ 58,844,960</u> | <u>\$ 43,217,415</u> | <u>\$ 15,627,545</u> | <u>-</u> |

**Reconciliation to Statement of
Net Position**

| | |
|--|-----------------------|
| Total Investments Above | \$ 58,844,960 |
| Demand Deposits | 11,203,716 |
| State Pools | <u>51,932,045</u> |
| Total Cash, Cash Equivalents, and Marketable Securities | <u>\$ 121,980,721</u> |

All investments values using Level 2 Inputs are based on a widely available market of similar securities.

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, 2019, 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, 2019, the bank balances were covered by \$250,000 of FDIC insurance and the remaining was covered by pledged securities or swept into overnight money market mutual funds.

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 | \$ 4,976,209 | AA+ | - |
| FHLMC | 2,981,926 | AA+ | - |
| FHLB | 24,954 | AA+ | - |
| U.S. Treasuries | 43,217,415 | AA+ | - |
| Municipal Securities | 1,329,245 | AA | - |
| Municipal Securities | 394,325 | AA+ | - |
| Municipal Securities | 405,724 | AAA | - |
| Municipal Securities | 582,452 | AA- | - |
| Municipal Securities | 449,447 | - | Aa1 |
| Commercial Paper | 1,831,232 | A-1 | - |
| Commercial Paper | 909,929 | A-1+ | - |
| State Pools | | | |
| Texpool | 514,928 | AAAm | - |
| Texas TERM | 45,584,183 | AAAm | - |
| Texas CLASS | 5,832,934 | AAAm | - |
| Total fair value | <u>\$ 109,034,903</u> | | |

**Reconciliation to Statement of
Net Position**

| | |
|--|-----------------------|
| Total Investments Above | \$ 109,034,903 |
| Demand Deposits | 11,203,716 |
| Certificates of Deposit | <u>1,742,102</u> |
| Total Cash, Cash Equivalents, and Marketable Securities | <u>\$ 121,980,721</u> |

Investment income for the year ended December 31, 2019 is comprised of the following:

| | |
|---------------------------|---------------------|
| Interest and Dividends | \$ 3,250,571 |
| Realized gains (losses) | (107,806) |
| Unrealized gains (losses) | <u>584,755</u> |
| | <u>\$ 3,727,520</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> |
| Accounts receivable | \$ 8,441,442 |
| Accrued revenue | 4,744,495 |
| Allowance for doubtful accounts | (206,388) |
| Other receivables | 104,454 |
| | <u>\$ 13,097,920</u> |

C. Restricted Assets

Restricted assets as reported on the Statement of Net Position as of December 31, 2019, are as follows:

| | |
|-------------------------------|----------------------|
| Restricted Assets: | |
| Cash and cash equivalents | \$ 41,682,243 |
| Marketable securities | 809,776 |
| Accrued interest | 335 |
| | <u>\$ 42,492,354</u> |
| Assets restricted for: | |
| Debt service ¹ | \$ 5,791,699 |
| Capital projects | 35,931,210 |
| Contingency reserve | 769,445 |
| | <u>\$ 42,492,354</u> |

¹ Difference between assets restricted for debt service and net position restricted for debt service is accrued interest of \$970,153

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)

Bayport Area System (continued)

| | | |
|--|----|-----------|
| Balance of reserve fund as of December 31, 2019 | \$ | 5,791,699 |
| Average annual debt service | \$ | 5,438,341 |
| Balance of reserve fund over/(under) average annual debt service | \$ | 353,358 |

As of December 31, 2019, \$35,416,282 and \$514,928 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, 2019, the increase to the reserve was \$52,795 from the participants. The restricted assets as reported on the Statement of Net Position as of December 31, 2019 was \$769,445.

D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Reclassifications/ Transfers | Ending Balance |
|---|------------------------------|----------------------|---------------------|---|---------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 5,174,541 | \$ - | \$ - | \$ - | \$ 5,174,541 |
| Construction in progress | 19,422,622 | 23,240,319 | - | (13,777,071) | 28,885,870 |
| Total capital assets not being depreciated | 24,597,163 | 23,240,319 | - | (13,777,071) | 34,060,411 |
| Capital assets being depreciated: | | | | | |
| Waste treatment facilities and equipment | 282,380,989 | 1,774,919 | (1,957,220) | 13,316,321 | 295,515,009 |
| Office buildings | 1,297,971 | - | (40,743) | 460,750 | 1,717,978 |
| Administrative furniture and equipment | 7,635,900 | 814,798 | (399,951) | - | 8,050,747 |
| Total capital assets being depreciated | 291,314,860 | 2,589,717 | (2,397,914) | 13,777,071 | 305,283,734 |
| Less accumulated depreciation for: | | | | | |
| Waste treatment facilities and equipment | (186,796,057) | (8,983,656) | 1,798,472 | - | (193,981,241) |
| Office buildings | (1,032,323) | (38,471) | 40,743 | - | (1,030,051) |
| Administrative furniture and equipment | (6,185,346) | (420,366) | 399,949 | - | (6,205,763) |
| Total accumulated depreciation | (194,013,727) | (9,442,493) | 2,239,164 | - | (201,217,055) |
| Total capital assets being depreciated, net | 97,301,133 | (6,852,776) | (158,750) | 13,777,071 | 104,066,679 |
| Capital Assets, net | \$ 121,898,296 | \$ 16,387,543 | \$ (158,750) | \$ - | \$ 138,127,090 |

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 | \$ 53,160 |
| Wastewater treatment | 8,955,048 |
| Solid waste disposal | 28,608 |
| 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>405,677</u> |
| Total depreciation expense | <u>\$ 9,442,493</u> |

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

| Project Description | Authorized Contract | Contract Expenditures | Remaining Commitment |
|--|----------------------------|------------------------------|-----------------------------|
| Washburn Tunnel | | | |
| Spare 12470 Volt Breaker | 100,000 | 71,884 | 28,116 |
| Polymer Feed System | 225,000 | 40,774 | 184,226 |
| Odessa South | | | |
| Blower Gallery Interior Walls Repair | 230,000 | 146,620 | 83,380 |
| East Battleground | | | |
| East Battleground Wastewater Treatment Plant | 2,051,120 | 1,639,052 | 412,068 |
| Campbell Bayou Facility | | | |
| Cells Expansion at Campbell Bayou | 707,700 | 683,107 | 24,593 |
| Bayport Facility | | | |
| Operations Ammonia Measurement and Control | 80,000 | 47,053 | 32,947 |
| Portable Water Line Loop | 100,000 | 58,243 | 41,757 |
| First Step Tank Off Gas Valve Access Platforms | 250,000 | 191,106 | 58,894 |
| Flood Mitigation Evaluation | 250,000 | 11,236 | 238,764 |
| 2nd Step Basin One Support Concrete Repair | 910,000 | 905,139 | 4,861 |
| Belt Press Building and Equipment Corrosion Repair | 1,250,000 | 103,902 | 1,146,098 |
| Plant Electrical Improvement | 1,280,000 | 1,067,212 | 212,788 |
| In Plant Piping Project | 2,095,700 | 1,751,734 | 343,966 |
| DTB Pumps Upgrade | 3,300,000 | 1,654,026 | 1,645,974 |
| Biosan Pipeline Assessment and Upgrade | 25,750,000 | 4,349,335 | 21,400,665 |
| Organic Capacity Evaluation and Upgrade | 27,472,480 | 15,280,616 | 12,191,864 |
| Central Laboratory | | | |
| HVAC Upgrade | 308,595 | 13,307 | 295,288 |
| Data Processing Services | | | |
| Munis ERP Software | 1,075,200 | 871,524 | 203,676 |
| Totals | <u>\$ 67,435,795</u> | <u>\$ 28,885,870</u> | <u>\$ 38,549,925</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, 2019, consist of: (a) Revenue Bonds, Series 2013, maturing on October 1, 2033, with interest rates of three percent to five percent, originally issued at \$43,375,000; (b) Revenue Bonds, Series 2015, maturing October 1, 2033, with an interest rate of two percent to five percent, originally issued at \$25,770,000; and (c) Revenue Bonds, Series 2018 maturing October 1, 2042, with an interest rate of three and a half to five percent, originally issued at \$33,770,000. The annual requirements to amortize all outstanding Bayport Area System Revenue Bonds as of year-end, including interest payments, are as follows:

| Years | Principal | Interest | Total |
|--------------|----------------------|----------------------|-----------------------|
| 2020 | \$ 4,255,000 | \$ 3,880,613 | \$ 8,135,613 |
| 2021 | 4,455,000 | 3,677,363 | 8,132,363 |
| 2022 | 4,680,000 | 3,454,613 | 8,134,613 |
| 2023 | 4,910,000 | 3,220,613 | 8,130,613 |
| 2024 | 5,155,000 | 2,975,113 | 8,130,113 |
| 2025 | 3,635,000 | 2,717,363 | 6,352,363 |
| 2026 | 3,790,000 | 2,560,113 | 6,350,113 |
| 2027 | 3,950,000 | 2,395,813 | 6,345,813 |
| 2028 | 4,155,000 | 2,198,313 | 6,353,313 |
| 2029 | 4,350,000 | 1,990,563 | 6,340,563 |
| 2030 | 4,575,000 | 1,773,063 | 6,348,063 |
| 2031 | 4,800,000 | 1,544,313 | 6,344,313 |
| 2032 | 5,025,000 | 1,326,037 | 6,351,037 |
| 2033 | 5,250,000 | 1,097,269 | 6,347,269 |
| 2034 | 3,705,000 | 884,775 | 4,589,775 |
| 2035 | 3,840,000 | 752,769 | 4,592,769 |
| 2036 | 1,970,000 | 615,950 | 2,585,950 |
| 2037 | 2,050,000 | 537,150 | 2,587,150 |
| 2038 | 2,130,000 | 455,150 | 2,585,150 |
| 2039 | 2,215,000 | 369,950 | 2,584,950 |
| 2040 | 2,305,000 | 281,350 | 2,586,350 |
| 2041 | 2,395,000 | 191,150 | 2,586,150 |
| 2042 | 2,490,000 | 97,438 | 2,587,438 |
| Total | \$ 86,085,000 | \$ 38,996,844 | \$ 125,081,844 |

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

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.

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, 2019, 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, 2019 | \$ 4,029,106 |
| Add-Items not includable in current expenses of the System: | |
| Bond interest expense | 3,585,948 |
| Depreciation | 4,713,913 |
| Management fee | 1,287,900 |
| Pledged revenues | <u>\$ 13,616,867</u> |
| Average annual debt service for bonds | <u>\$ 5,438,341</u> |
| Debt service coverage average annual debt service | 2.50 |
| Actual debt service for bonds | <u>\$ 8,144,963</u> |
| Debt service coverage actual debt service | 1.67 |

"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.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

III. Detailed Notes on All Funds (continued)

E. Long-Term Debt (continued)

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.

Long-term debt 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 | \$ 2,654,014 | \$1,474,847 | \$(1,360,951) | \$ 2,767,910 | \$ 1,454,172 | \$ 1,313,738 |
| Bonds Payable: | | | | | | |
| Series 2013 | 33,190,000 | - | (3,155,000) | 30,035,000 | 3,305,000 | 26,730,000 |
| Series 2015 | 23,195,000 | - | (915,000) | 22,280,000 | 950,000 | 21,330,000 |
| Series 2018 | 33,770,000 | - | - | 33,770,000 | - | 33,770,000 |
| Plus Premium | 9,142,309 | - | (542,570) | 8,599,739 | 542,571 | 8,057,168 |
| Long term liabilities | \$101,951,323 | \$1,474,847 | \$(5,973,521) | \$97,452,649 | \$ 6,251,743 | \$ 91,200,906 |

Long-term liabilities for the internal service funds are included as part of the above totals for business-type activities as the internal service funds serve the enterprise fund.

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.

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)

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.

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 | \$ 224,200,000 |
| Industrial development projects | 325,000,000 |
| Total private activity bonds | <u><u>\$ 549,200,000</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. The Plan qualifies as a fiduciary activity under GASB 84, Fiduciary Activities, due to the Authority's control over the funds of the Plan. Control by the Authority was determined as a portion of the funds are not fully vested until certain requirements are met. At December 31, 2019 the total plan assets were \$50,993,605. These assets were allocated as follows:

| Asset Category | Balance | Percent of Assets |
|---------------------------------|----------------------|--------------------------|
| Stable Value/Money Market Funds | \$ 15,433,711 | 30% |
| Bond Funds | 4,456,242 | 9% |
| Guaranteed Lifetime Income | 8,136,976 | 16% |
| Balanced Funds | 7,330,725 | 14% |
| U.S. Stock Funds | 12,720,775 | 25% |
| International Stock Funds | 2,504,166 | 5% |
| Specialty | 411,010 | 1% |
| Total Assets | <u>\$ 50,993,605</u> | <u>100.00%</u> |

The Authority's contribution for the year ended December 31, 2019 was \$1,245,591 which represents the required 10 percent of covered payroll. The employees' contribution was \$622,796 which equals 5 percent of covered payroll and there were no additional voluntary contributions. The Authority recognized pension expense of \$1,245,591 during the year. As of December 31, 2019 there were 163 active participants, 81 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. Non-vested 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. The Plan does not qualify as a fiduciary activity under GASB 84, Fiduciary Activities, as the Authority does not have control over the funds deposited into the deferred compensation 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. The Plan does not qualify as a fiduciary activity under GASB 84, Fiduciary Activities, as the Authority does not have control over the funds deposited into the RHS 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). Employees hired on or after January 1, 2019 must also have reached age 60. 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. 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

For employees hired before January 1, 2019, it is the Authority's current administrative policy to pay all but \$70.00 (which is paid by the retiree) of the monthly premium for each pre-Medicare retiree under age 65. For employees hired on or after that date, the retiree will be responsible for paying a percentage of the monthly premium. The Authority pays supplemental health insurance for each retiree eligible for Medicare at a cost ranging from \$164 to \$275 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 maximum coverage of \$50,000 for employees hired before January 1, 2019 and \$20,000 for employees hired after that date.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

Funding policy (continued)

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 2019. Instead, costs were paid on a “pay-as-you-go” basis from the Authority’s internal service fund.

At December 31, 2019, measurement date, the following employees were covered by the benefit terms:

| <u>Membership</u> | |
|------------------------------|-------------------|
| Retirees and beneficiaries | 65 |
| Inactive, nonretired members | 0 |
| Active members | <u>148</u> |
| Total | <u><u>213</u></u> |

Contributions

The contribution requirements of plan members and the Authority are established and amended by the Board of Directors. The required contribution is based on projected pay-as-you go financing requirements. For the year 2019, the Authority contributed a total of \$557,999 to the plan for benefit payments.

Net OPEB Liability

Alliabilities were measured as of December 31, 2019 and projected forward using standard roll-forward techniques.

Actuarial Assumptions

| | |
|-------------------------|---|
| Valuation date | January 1, 2018 |
| Actuarial cost method | Individual Entry Age |
| Single Discount Rate | 5.00%, per annum |
| Inflation | 2.50%, per annum |
| Salary Increases | 3.00%, per annum |
| Demographic Assumptions | Current valuation relies heavily upon the demographic assumptions for disability, termination and retirement as used by the prior plan actuary. The per capita claims costs and how these costs are expected to escalate in the future were set by HUB international. |
| Mortality | Sex distinct RP-2014h mortality table with mortality improvement scale MP-2018 for annuitants and non-annuitants |
| Health Care Trend Rate | Pre-65: Initial rate of 5.31% fluctuating between 5.01% and 5.70% for 24 years until reaching an ultimate rate of 5.01% Post-65: Initial rate of 5.52% fluctuating between 4.92% and 5.52% for 24 years until reaching an ultimate rate of 4.92% |
| Participation Rates | 100% of participants eligible for retiree welfare coverage upon retirement are assumed to elect coverage No retirees are assumed to drop coverage once electing as a retiree |
| Other Information | Trend Includes an implicit inflation rate of 2.5%, per annum and the impact of the "Cadillac Tax" (PPACA) as modified by the Consolidated Appropriations Act of 2016 which pushed the effective date to January 1, 2022 |

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

Discount Rate

The single discount rate as of December 31, 2019, for GASB 75 accounting purposes is 5.00% which is based upon the below information:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------|--------------------------|---|
| Domestic Equity | 40% | 5.60% |
| Foreign Equity | 15% | 8.00% |
| Fixed Income | 40% | 3.40% |
| Cash | 2% | 1.90% |
| Other | 3% | 5.80% |
| Total | 100% | 5.00% |

Changes in Net OPEB Liability

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
|-------------------------------------|-------------------------------------|--|---|
| Balance at December 31, 2018 | \$ 18,088,339 | \$ 6,890,538 | \$ 11,197,801 |
| Service cost | 766,029 | - | 766,029 |
| Interest | 890,437 | - | 890,437 |
| Changes of assumptions | (596,408) | - | (596,408) |
| Contributions - employer | - | 557,999 | (557,999) |
| Net investment income | - | 1,332,894 | (1,332,894) |
| Benefit payments | (295,418) | - | (295,418) |
| Administrative expense | - | (42,786.00) | 42,786 |
| Net changes | 764,640 | 1,848,107 | (1,083,467) |
| Balance at December 31, 2019 | <u>\$ 18,852,979</u> | <u>\$ 8,738,645</u> | <u>\$ 10,114,334</u> |

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Authority, calculated using the discount rate as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher than the current rate:

| 1% Decrease (4.00%) | Discount Rate (5.00%) | 1% Increase (6.00%) |
|--------------------------------|----------------------------------|--------------------------------|
| \$ 12,808,122 | \$ 10,114,334 | \$ 7,916,781 |

The following presents the net OPEB liability of the Authority, calculated using the healthcare cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate assumption:

| 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|--------------------|--|--------------------|
| \$ 7,581,306 | \$ 10,114,334 | \$ 13,302,831 |

OPEB Plan Fiduciary Net Position

The following is the allocation of the assets held by the OPEB Trust Program for GCA:

| | |
|----------------------------------|---------------------|
| Assets | |
| Investments: | |
| Domestic equities | \$ 4,668,343 |
| Fixed income | 4,004,760 |
| Private equity | 65,542 |
| Total investments | 8,738,645 |
| Total assets | \$ 8,738,645 |
| | |
| Net position restricted for OPEB | \$ 8,738,645 |

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

D. Other Post-Employment Benefits (continued)

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

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$1,564,326. At December 31, 2019, the Authority reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference in assumption changes | - | (659,712) |
| Differences between expected and actual experience | 2,873,357 | (511,207) |
| Net Difference between projected and actual earnings on OPEB plan investments | - | (146,395) |
| | <u>\$ 2,873,357</u> | <u>\$ (1,317,314)</u> |

The amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| <u>Year Ended December 31,</u> | |
|------------------------------------|---------------------|
| 2020 | \$ 364,305 |
| 2021 | 364,305 |
| 2022 | 364,307 |
| 2023 | 190,796 |
| 2024 | 357,532 |
| 2025 | (85,202) |
| | <u>\$ 1,556,043</u> |

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 \$391,039.

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.

GULF COAST AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)

IV. Other Information (continued)

G. Contingencies (continued)

Landfill Closure and Post-Closure Costs (continued)

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.

The estimated total cost of closure and post-closure for the current site at year end is \$7,509,600. Of this amount, \$2,778,552 and \$1,501,920 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 88.39%, and \$3,229,128 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 \$2,854,226. The total accrued closure and post-closure care costs at year end for the entire site are \$7,134,698. The remaining accrued costs to be recognized are \$374,902. 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 five years as of 2019.

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, 2019, 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.

GULF COAST AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

I. Deficit Net Position of Internal Service Funds

As of December 31, 2019, the Authority reported deficits in total net position of \$235,227 for the Compensated Absences fund and \$6,222,373 for the Employee's Health Care fund. The deficits were caused by the accrual of long-term benefits for current employees and retirees. The deficits will be eliminated in the future with funds from the Enterprise Fund to the extent that investment income and employee contributions to the Employee's Health Care fund does not cover future costs.

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REQUIRED SUPPLEMENTAL INFORMATION

GULF COAST AUTHORITY**REQUIRED OTHER POST EMPLOYMENT BENEFIT SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (Unaudited)***Gulf Coast Authority Other Post Employment Benefits Trust**For the Last Two Years*

| | Year Ending December 31, | |
|--|--------------------------|----------------------|
| | 2018 | 2019 |
| Total OPEB Liability | | |
| Service cost | \$ 424,295 | \$ 766,029 |
| Interest on the total OPEB liability | 926,731 | 890,437 |
| Difference in expected and actual experience | (923,598) | - |
| Change of assumptions | 4,022,699 | (596,408) |
| Benefit payments, including refunds of employee contributions | (200,210) | (295,418) |
| Net Change in Total OPEB Liability | 4,249,917 | 764,640 |
| Total OPEB Liability - Beginning | 13,838,422 | 18,088,339 |
| Total OPEB Liability - Ending (a) | \$ 18,088,339 | \$ 18,852,979 |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 576,917 | \$ 557,999 |
| Net investment income | (378,381) | 1,332,894 |
| Administrative expense | - | (42,786) |
| Net Change in Plan Fiduciary Net Position | 198,536 | 1,848,107 |
| Plan Fiduciary Net Position - Beginning | 6,692,002 | 6,890,538 |
| Plan Fiduciary Net Position - Ending (b) | \$ 6,890,538 | \$ 8,738,645 |
| Net OPEB Liability - Ending (a) - (b) | \$ 11,197,801 | \$ 10,114,334 |
| Plan Fiduciary Net Position as a Percentage of | | |
| Total OPEB Liability | 38.09% | 46.35% |
| Covered Payroll | \$ 15,086,318 | \$ 15,569,170 |
| Net OPEB Liability as a Percentage of Covered Payroll | 74.22% | 64.96% |

Notes to Schedule:

Benefit Changes. Since the prior valuation, there have been no benefit changes to the OPEB plan.

Assumption Changes. In 2019, the discount rate was increased from 4.76% to 5.00%, which resulted in a decrease in the Total OPEB liability of \$596,408. Note the discount rate as of January 1, 2018 was 7.00%.

In 2018 the mortality table was updated to the RP-2014h sex distinct headcount weighted mortality table set adjusted to 2006 with generational mortality improvement scale MP-2018.

The 2018 valuation reflects updated per capita costs as well as an update to how these costs were expected to increase in future years.

GULF COAST AUTHORITY**REQUIRED OTHER POST EMPLOYMENT BENEFIT SUPPLEMENTARY INFORMATION****SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)****Gulf Coast Authority Other Post Employment Benefits Trust****For the Last Two Years**

| | For the Year Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2018 | 2019 |
| Actuarially determined contribution | \$ 941,305 | \$ 1,050,066 |
| Contributions in relation to the actuarially determined contribution | 777,127 | 853,417 |
| Contribution deficiency (excess) | <u>\$ 164,178</u> | <u>\$ 196,649</u> |
| Covered payroll | \$ 15,086,318 | \$ 15,569,170 |
| Contributions as a percentage of payroll | 5.15% | 5.48% |
| Expected rate of return as of the beginning of the period | 7.00% | 7.00% |

Notes to Schedule**Valuation date:**

Actuarially determined contribution rates are based upon a valuation date of January 1, 2018 with a measurement date as of the end of the fiscal year shown.

Methods and Assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry Age Normal (as a level percentage of salary) |
| Amortization method | Level dollar / Open Amortization Period |
| Asset valuation method | Market value of assets |
| Inflation | 2.50 percent |
| Healthcare cost trend rates (pre-65 / post-65) (1) | 5.60% / 5.13% initial medical trend rate for retirees' ultimate rate of 5.01% / 4.92% in the year 2044 |
| Salary increases | 2.50%, including inflation rate of 2.50% |
| Investment rate of return | 7.00 percent, net of OPEB plan investment expense |
| Average retirement age | 62.17 |
| Mortality | In 2018, assumption based upon RP-2014h tables with generational mortality improvement scale MP-2018 |

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OTHER SUPPLEMENTARY INFORMATION

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COMBINING INFORMATION AND STATEMENTS

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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.

Fulshear Wastewater Treatment 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 the City of Fulshear's wastewater. This division was created in 2019 to allow the Authority and the City 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 City.

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.

GULF COAST AUTHORITY

ENTERPRISE FUND (continued)

December 31, 2019

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.

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.

GULF COAST AUTHORITY***ENTERPRISE FUND (continued)******December 31, 2019*****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, 2019

| | General Services Division | Bayport Area System Facility Division | Blackhawk Regional Wastewater Treatment Facility Division |
|---|--|--|--|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 2,815,572 | \$ 9,041,324 | \$ 140,815 |
| Marketable securities | 7,527,125 | 24,509,102 | 377,182 |
| Receivables, net | 295,125 | 7,330,316 | 546,986 |
| Due from other divisions | 453,806 | - | - |
| Prepays | 15,843 | 308,980 | 42,550 |
| Restricted assets | | | |
| Cash and cash equivalents | - | 40,959,990 | 207,325 |
| Marketable securities | - | 247,656 | 562,120 |
| Accrued interest | - | 335 | - |
| Total current assets | 11,107,471 | 82,397,703 | 1,876,978 |
| Noncurrent Assets: | | | |
| Capital assets | | | |
| Land | 53,800 | 907,489 | 200,000 |
| Construction in progress | - | 25,419,602 | - |
| Plant and equipment | 2,406,018 | 154,672,341 | 26,018,779 |
| Less accumulated depreciation | (1,668,353) | (94,210,800) | (15,313,496) |
| Total capital assets (net of accumulated depreciation) | 791,465 | 86,788,632 | 10,905,283 |
| Total noncurrent assets | 791,465 | 86,788,632 | 10,905,283 |
| Total assets | 11,898,936 | 169,186,335 | 12,782,261 |
| Deferred Outflows of Resources | | | |
| Deferred loss on refunding | - | 427,802 | - |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 470,398 | 5,414,164 | 239,309 |
| Wages payable | 680,696 | - | - |
| Due to other divisions | - | - | - |
| Accrued bond interest | - | 970,153 | - |
| Current portion of bonds payable | - | 4,797,571 | - |
| Unearned revenue | - | - | - |
| Total current liabilities | 1,151,094 | 11,181,888 | 239,309 |
| Noncurrent liabilities: | | | |
| Bonds payable (net of unamortized discount and deferred amount on refunding) | - | 89,887,168 | - |
| Working capital deposits | - | - | 881,875 |
| Total noncurrent liabilities | - | 89,887,168 | 881,875 |
| Total liabilities | 1,151,094 | 101,069,056 | 1,121,184 |
| Net Position | | | |
| Net investment in capital assets | 791,465 | 27,947,977 | 10,905,283 |
| Restricted for: | | | |
| Debt service | - | 4,821,546 | - |
| Contingency reserve | - | - | 769,445 |
| Unrestricted | 9,956,377 | 35,775,558 | (13,651) |
| Total Net Position | \$ 10,747,842 | \$ 68,545,081 | \$ 11,661,077 |

| Fulshear Waste water Treatment Plant | | Campbell Bayou Facility Division | | Central Laboratory Division | East | | | | | | |
|--|----|------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------------------|-------------|----|-----------|----|--------------|
| | | Industrial Solid Waste Facility | Closure/Post Closure | | Battleground Facility Division | 40-Acre Facility Division | | | | | |
| \$ | 24 | \$ | 14,572 | \$ | 30,563 | \$ | 3,112,017 | \$ | 56,463 | \$ | 1,700 |
| | 66 | | 38,968 | | 82,866 | | 8,432,991 | | 153,087 | | - |
| | - | | 51,275 | | 53,065 | | 19,231 | | - | | 785,694 |
| | - | | - | | - | | - | | - | | - |
| | - | | 6,956 | | 1,946 | | 11,621 | | - | | 25,845 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | 90 | | 111,771 | | 168,440 | | 11,575,860 | | 209,550 | | 813,239 |
| | | | | | | | | | | | |
| | - | | 671,966 | | - | | - | | - | | 1,427,965 |
| | - | | 683,107 | | - | | 13,307 | | 1,639,052 | | - |
| | - | | 5,568,663 | | - | | 9,238,122 | | - | | 35,575,497 |
| | - | | (5,514,668) | | - | | (5,157,421) | | - | | (25,543,183) |
| | - | | 1,409,068 | | - | | 4,094,008 | | 1,639,052 | | 11,460,279 |
| | - | | 1,409,068 | | - | | 4,094,008 | | 1,639,052 | | 11,460,279 |
| | 90 | | 1,520,839 | | 168,440 | | 15,669,868 | | 1,848,602 | | 12,273,518 |
| | | | | | | | | | | | |
| | - | | - | | - | | - | | - | | - |
| | | | | | | | | | | | |
| | - | | 67,392 | | 22,008 | | 163,780 | | 72,235 | | 361,729 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | 453,806 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | 12,447 | | - | | 120,631 | | 321,258 |
| | - | | 67,392 | | 34,455 | | 163,780 | | 192,866 | | 1,136,793 |
| | | | | | | | | | | | |
| | - | | - | | - | | - | | - | | - |
| | - | | 251,018 | | - | | - | | - | | - |
| | - | | 251,018 | | - | | - | | - | | - |
| | - | | 318,410 | | 34,455 | | 163,780 | | 192,866 | | 1,136,793 |
| | | | | | | | | | | | |
| | - | | 1,409,068 | | - | | 4,094,008 | | 1,639,052 | | 11,460,279 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | 90 | | (206,639) | | 133,985 | | 11,412,080 | | 16,684 | | (323,554) |
| \$ | 90 | \$ | 1,202,429 | \$ | 133,985 | \$ | 15,506,088 | \$ | 1,655,736 | \$ | 11,136,725 |

GULF COAST AUTHORITY
Combining Information By Division -
Net Position
Enterprise Fund
December 31, 2019

| | Municipal Operations Division | Odessa South Regional Facility Division | Vince Bayou Division |
|---|--|--|---------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 138,253 | \$ 837,636 | \$ 1,557,602 |
| Marketable securities | 374,845 | 2,270,536 | 4,223,121 |
| Receivables, net | 61,522 | 1,571,197 | 339,623 |
| Due from other divisions | - | - | - |
| Prepays | 66 | 21,382 | 2,980 |
| Restricted assets | | | |
| Cash and cash equivalents | - | - | - |
| Marketable securities | - | - | - |
| Accrued interest | - | - | - |
| Total current assets | 574,686 | 4,700,751 | 6,123,326 |
| Noncurrent Assets: | | | |
| Capital assets | | | |
| Land | - | 76,161 | 100,611 |
| Construction in progress | - | 146,620 | - |
| Plant and equipment | - | 15,726,401 | 1,958,977 |
| Less accumulated depreciation | - | (14,433,339) | (1,471,193) |
| Total capital assets (net of accumulated depreciation) | - | 1,515,843 | 588,395 |
| Total noncurrent assets | - | 1,515,843 | 588,395 |
| Total assets | 574,686 | 6,216,594 | 6,711,721 |
| Deferred Outflows of Resources | | | |
| Deferred loss on refunding | - | - | - |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 23,317 | 521,317 | 21,271 |
| Wages payable | - | - | - |
| Due to other divisions | - | - | - |
| Accrued bond interest | - | - | - |
| Current portion of bonds payable | - | - | - |
| Unearned revenue | - | 897,426 | - |
| Total current liabilities | 23,317 | 1,418,743 | 21,271 |
| Noncurrent liabilities: | | | |
| Bonds payable (net of unamortized discount and deferred amount on refunding) | - | - | - |
| Working capital deposits | - | 456,353 | - |
| Total noncurrent liabilities | - | 456,353 | - |
| Total liabilities | 23,317 | 1,875,096 | 21,271 |
| Net Position | | | |
| Net investment in capital assets | - | 1,515,843 | 588,395 |
| Restricted for: | | | |
| Debt service | - | - | - |
| Contingency reserve | - | - | - |
| Unrestricted | 551,369 | 2,825,655 | 6,102,055 |
| Total Net Position | \$ 551,369 | \$ 4,341,498 | \$ 6,690,450 |

| Washburn Tunnel Facility Division | Washburn Tunnel Pipeline Services Division | Component Unit GCIDA Division | Eliminations | Total |
|--|---|--|--------------|----------------|
| \$ 1,270,006 | \$ - | \$ 214,242 | \$ - | \$ 19,230,789 |
| 3,437,940 | - | 580,873 | - | 52,008,702 |
| 2,042,886 | - | 1,000 | - | 13,097,920 |
| - | - | - | (453,806) | - |
| 167,620 | - | - | - | 605,789 |
| 514,928 | - | - | - | 41,682,243 |
| - | - | - | - | 809,776 |
| - | - | - | - | 335 |
| 7,433,380 | - | 796,115 | (453,806) | 127,435,554 |
| 1,736,549 | - | - | - | 5,174,541 |
| 112,658 | - | - | - | 28,014,346 |
| 46,739,582 | 16,647 | - | - | 297,921,027 |
| (32,320,494) | (16,647) | - | - | (195,649,594) |
| 16,268,295 | - | - | - | 135,460,320 |
| 16,268,295 | - | - | - | 135,460,320 |
| 23,701,675 | - | 796,115 | (453,806) | 262,895,874 |
| - | - | - | - | 427,802 |
| 1,905,747 | - | - | - | 9,282,667 |
| - | - | - | - | 680,696 |
| - | - | - | (453,806) | - |
| - | - | - | - | 970,153 |
| - | - | - | - | 4,797,571 |
| 5,122,642 | - | - | - | 6,474,404 |
| 7,028,389 | - | - | (453,806) | 22,205,491 |
| - | - | - | - | 89,887,168 |
| 20,635 | - | - | - | 1,609,881 |
| 20,635 | - | - | - | 91,497,049 |
| 7,049,024 | - | - | (453,806) | 113,702,540 |
| 16,783,223 | - | - | - | 77,134,593 |
| - | - | - | - | 4,821,546 |
| - | - | - | - | 769,445 |
| (130,572) | - | 796,115 | - | 66,895,552 |
| \$ 16,652,651 | \$ - | \$ 796,115 | \$ - | \$ 149,621,136 |

GULF COAST AUTHORITY
Combining Information by Division -
Revenue, Expenses, and Changes in Net Position
Enterprise Fund
For the year ended December 31, 2019

| | General Services Division | Bayport Area System Facility Division | Blackhawk Regional Wastewater Treatment Facility Division |
|---|--|--|--|
| Operating revenues | | | |
| Charges for sales and services | | | |
| Services to industries | \$ 2,016,870 | \$ 37,615,251 | \$ - |
| Services to municipalities | - | 41,532 | 3,763,037 |
| Intragovernmental | 5,944,136 | - | - |
| Other | 235,745 | 297,073 | 53,623 |
| Total operating revenues | 8,196,751 | 37,953,856 | 3,816,660 |
| Operating expenses | | | |
| Costs of sales and services | 6,203,547 | 26,818,095 | 3,336,865 |
| Administration | 702,854 | 963,368 | 128,782 |
| Depreciation | 53,160 | 4,713,913 | 734,191 |
| Total operating expenses | 6,959,561 | 32,495,376 | 4,199,838 |
| Operating income (loss) | 1,237,190 | 5,458,480 | (383,178) |
| Nonoperating revenues (expenses) | | | |
| Investment income (loss) | 323,438 | 2,305,021 | 33,419 |
| Interest expense | - | (3,585,948) | - |
| Gain (loss) on disposal of capital assets | - | (148,447) | (4,469) |
| Insurance Proceeds | - | - | - |
| Total nonoperating revenues (expenses) | 323,438 | (1,429,374) | 28,950 |
| Income (loss) before contributions and transfers | 1,560,628 | 4,029,106 | (354,228) |
| Capital Contributions | - | - | - |
| Transfers in | - | - | - |
| Transfers out | (9,949) | - | - |
| Changes in Net Position | 1,550,679 | 4,029,106 | (354,228) |
| Beginning Net Position | 9,197,163 | 64,515,975 | 12,015,305 |
| Ending Net Position | \$ 10,747,842 | \$ 68,545,081 | \$ 11,661,077 |

| Fulshear Waste water Treatment Plant | Campbell Bayou Facility Division | | Central Laboratory Division | East | 40-Acre Facility Division |
|--|------------------------------------|-------------------------|-----------------------------------|--------------------------------------|---------------------------------|
| | Industrial Solid Waste Facility | Closure/Post Closure | | Battleground Facility Division | |
| \$ - | \$ 414,522 | \$ 500,710 | \$ 98,954 | \$ (5,502) | \$ 4,685,926 |
| 30,000 | - | - | 12,411 | - | - |
| - | - | - | 7,855,874 | - | 48,500 |
| - | 27 | - | 415 | - | 495 |
| 30,000 | 414,549 | 500,710 | 7,967,654 | (5,502) | 4,734,921 |
| 30,024 | 330,268 | 423,912 | 5,169,570 | 4,447 | 4,133,673 |
| - | 71,219 | 72,647 | 110,549 | - | 479,527 |
| - | 28,608 | - | 434,573 | - | 1,549,809 |
| 30,024 | 430,095 | 496,559 | 5,714,692 | 4,447 | 6,163,009 |
| (24) | (15,546) | 4,151 | 2,252,962 | (9,949) | (1,428,088) |
| 114 | 5,614 | 1,389 | 326,204 | 13,619 | (6,638) |
| - | - | - | - | - | - |
| - | 250 | - | (5,834) | - | - |
| - | - | - | - | - | 4,197 |
| 114 | 5,864 | 1,389 | 320,370 | 13,619 | (2,441) |
| 90 | (9,682) | 5,540 | 2,573,332 | 3,670 | (1,430,529) |
| - | - | - | - | 1,149,580 | - |
| - | - | - | - | 9,949 | - |
| - | - | - | - | - | - |
| 90 | (9,682) | 5,540 | 2,573,332 | 1,163,199 | (1,430,529) |
| - | 1,212,111 | 128,445 | 12,932,756 | 492,537 | 12,567,254 |
| \$ 90 | \$ 1,202,429 | \$ 133,985 | \$ 15,506,088 | \$ 1,655,736 | \$ 11,136,725 |

GULF COAST AUTHORITY
Combining Information by Division -
Revenue, Expenses, and Changes in Net Position
Enterprise Fund
For the year ended December 31, 2019

| | Municipal Operations Division | Odessa South Regional Facility Division | Vince Bayou Division |
|---|--|--|---------------------------------|
| Operating revenues | | | |
| Charges for sales and services | | | |
| Services to industries | \$ - | \$ 6,146,603 | \$ 1,802,360 |
| Services to municipalities | 264,091 | - | - |
| Intragovernmental | - | - | - |
| Other | - | 642,078 | 5,255 |
| Total operating revenues | 264,091 | 6,788,681 | 1,807,615 |
| Operating expenses | | | |
| Costs of sales and services | 258,457 | 5,173,616 | 698,378 |
| Administration | 176 | 516,497 | 50,394 |
| Depreciation | - | 194,077 | 92,830 |
| Total operating expenses | 258,633 | 5,884,190 | 841,602 |
| Operating income (loss) | 5,458 | 904,491 | 966,013 |
| Nonoperating revenues (expenses) | | | |
| Investment income (loss) | 15,925 | 104,039 | 167,287 |
| Interest expense | - | - | - |
| Gain (loss) on disposal of capital assets | - | - | - |
| Insurance Proceeds | - | - | - |
| Total nonoperating revenues (expenses) | 15,925 | 104,039 | 167,287 |
| Income (loss) before contributions and transfers | 21,383 | 1,008,530 | 1,133,300 |
| Capital Contributions | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Changes in Net Position | 21,383 | 1,008,530 | 1,133,300 |
| Beginning Net Position | 529,986 | 3,332,968 | 5,557,150 |
| Ending Net Position | \$ 551,369 | \$ 4,341,498 | \$ 6,690,450 |

| Washburn Tunnel Facility Division | Washburn Tunnel Pipeline Facility Division | Component Unit GCIDA Division | Eliminations | Total |
|--|---|--|--------------|----------------|
| \$ 12,515,320 | \$ - | \$ 1,000 | \$ - | \$ 65,792,014 |
| - | - | - | - | 4,111,071 |
| 116,516 | - | - | (13,965,026) | - |
| 14,414 | - | - | - | 1,249,125 |
| 12,646,250 | - | 1,000 | (13,965,026) | 71,152,210 |
| 11,637,662 | - | - | (13,965,026) | 50,253,488 |
| 725,754 | - | 826 | - | 3,822,593 |
| 1,235,655 | - | - | - | 9,036,816 |
| 13,599,071 | - | 826 | (13,965,026) | 63,112,897 |
| (952,821) | - | 174 | - | 8,039,313 |
| 151,620 | - | 24,670 | - | 3,465,721 |
| - | - | - | - | (3,585,948) |
| 1,000 | - | - | - | (157,500) |
| - | - | - | - | 4,197 |
| 152,620 | - | 24,670 | - | (273,530) |
| (800,201) | - | 24,844 | - | 7,765,783 |
| 112,658 | - | - | - | 1,262,238 |
| - | - | - | - | 9,949 |
| - | - | - | - | (9,949) |
| (687,543) | - | 24,844 | - | 9,028,021 |
| 17,340,194 | - | 771,271 | - | 140,593,115 |
| \$ 16,652,651 | \$ - | \$ 796,115 | \$ - | \$ 149,621,136 |

GULF COAST AUTHORITY
Combining Information by Division - Cash Flows
Enterprise Fund
For the year ended December 31, 2019

| | General Services Division | Bayport Area System Facility Division | Blackhawk Regional Wastewater Treatment Facility Division |
|--|--|--|--|
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 2,089,027 | \$ 38,114,152 | \$ 3,842,353 |
| Receipts from intragovernmental users | 5,944,136 | - | - |
| Payments to suppliers | (1,401,744) | (12,615,799) | (2,035,424) |
| Payments to employees | (5,241,738) | (5,386,856) | (860,157) |
| Payments to intragovernmental suppliers | (555,741) | (8,438,539) | (504,384) |
| Net cash provided (used) by operating activities | 833,940 | 11,672,958 | 442,388 |
| Cash Flows from Noncapital Financing Activities | | | |
| Intragovernmental transfers in | - | - | - |
| Intragovernmental transfers (out) | (9,949) | - | - |
| Net cash provided (used) by noncapital financing activities | (9,949) | - | - |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (495,458) | (21,624,207) | (326,658) |
| Retirement of bonds | - | (4,070,000) | - |
| Interest paid on capital related debt | - | (4,087,041) | - |
| Capital contributions received from participants | - | - | - |
| Net cash provided (used) by capital and related financing activities | (495,458) | (29,781,248) | (326,658) |
| Cash Flows from Investing Activities | | | |
| Maturity (purchase) of investments | (149,987) | 1,990,371 | (68,759) |
| Interest received (paid) | 323,438 | 2,305,021 | 33,419 |
| Net cash provided (used) by investing activities | 173,451 | 4,295,392 | (35,340) |
| Net increase (decrease) in cash and cash equivalents | 501,984 | (13,812,898) | 80,390 |
| Beginning cash and cash equivalents | 2,313,588 | 63,814,212 | 267,750 |
| Ending cash and cash equivalents | \$ 2,815,572 | \$ 50,001,314 | \$ 348,140 |
| Ending cash and cash equivalents | | | |
| Unrestricted cash and cash equivalents | \$ 2,815,572 | \$ 9,041,324 | \$ 140,815 |
| Restricted cash and cash equivalents | - | 40,959,990 | 207,325 |
| | \$ 2,815,572 | \$ 50,001,314 | \$ 348,140 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating income (loss) | \$ 1,237,190 | \$ 5,458,480 | \$ (383,178) |
| Adjustment to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 53,160 | 4,713,913 | 734,191 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) decrease in assets | | | |
| Accounts receivable, net | (163,588) | 160,296 | 2,456 |
| Due from other funds/divisions | (453,806) | - | - |
| Prepays | (6,035) | (8,442) | (4,965) |
| Increase (decrease) in liabilities: | | | |
| Wages payable | 99,585 | - | - |
| Accounts payable | 67,434 | 1,348,711 | 70,647 |
| Due to other funds/divisions | - | - | - |
| Unearned revenue | - | - | (6,688) |
| Working capital deposits | - | - | 29,925 |
| Net cash provided (used) by operating activities | \$ 833,940 | \$ 11,672,958 | \$ 442,388 |

| Fulshear Waste water Treatment Plant | Campbell Bayou Facility Divisor | | | Central Laboratory Division | East | |
|--|------------------------------------|-------------------------|--------------|-----------------------------------|--------------------------------------|---------------------------------|
| | Industrial Solid Waste Facility | Closure/Post Closure | | | Battleground Facility Division | 40-Acre Facility Division |
| \$ 30,000 | \$ 363,274 | \$ 506,344 | \$ 103,764 | \$ (244,480) | \$ 4,369,611 | |
| - | - | - | 7,855,874 | - | 48,500 | |
| (30,024) | (175,181) | (200,296) | (2,037,956) | (4,447) | (1,401,133) | |
| - | (109,577) | (196,039) | (2,476,203) | - | (1,525,870) | |
| - | (114,535) | (108,119) | (1,051,782) | - | (1,400,538) | |
| (24) | (36,019) | 1,890 | 2,393,697 | (248,927) | 90,570 | |
| - | - | - | - | 9,949 | - | |
| - | - | - | - | - | - | |
| - | - | - | - | 9,949 | - | |
| - | (13,421) | - | (45,972) | (1,231,936) | (110,526) | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | 1,149,580 | - | |
| - | (13,421) | - | (45,972) | (82,356) | (110,526) | |
| (66) | 35,454 | 1,501 | (1,639,724) | 243,098 | 20,370 | |
| 114 | 5,614 | 1,389 | 326,204 | 13,619 | (6,639) | |
| 48 | 41,068 | 2,890 | (1,313,520) | 256,717 | 13,731 | |
| 24 | (8,372) | 4,780 | 1,034,205 | (64,617) | (6,225) | |
| - | 22,944 | 25,783 | 2,077,812 | 121,080 | 7,925 | |
| \$ 24 | \$ 14,572 | \$ 30,563 | \$ 3,112,017 | \$ 56,463 | \$ 1,700 | |
| \$ 24 | \$ 14,572 | \$ 30,563 | \$ 3,112,017 | \$ 56,463 | \$ 1,700 | |
| - | - | - | - | - | - | |
| \$ 24 | \$ 14,572 | \$ 30,563 | \$ 3,112,017 | \$ 56,463 | \$ 1,700 | |
| \$ (24) | \$ (15,546) | \$ 4,151 | \$ 2,252,962 | \$ (9,949) | \$ (1,428,088) | |
| - | 28,608 | - | 434,573 | - | 1,549,809 | |
| - | (51,275) | 5,634 | (8,016) | - | (307,289) | |
| - | - | - | - | - | - | |
| - | (1,592) | 626 | (2,409) | - | (4,115) | |
| - | - | - | - | - | - | |
| - | 3,786 | (8,521) | (283,413) | - | (164,032) | |
| - | - | - | - | - | 453,806 | |
| - | - | - | - | (238,978) | (9,521) | |
| - | - | - | - | - | - | |
| \$ (24) | \$ (36,019) | \$ 1,890 | \$ 2,393,697 | \$ (248,927) | \$ 90,570 | |

GULF COAST AUTHORITY
Combining Information by Division - Cash Flows
Enterprise Fund
For the year ended December 31, 2019

| | Municipal Operations Division | Odessa South Regional Facility Division | Vince Bayou Division |
|--|--|--|---------------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 256,510 | \$ 5,780,260 | \$ 1,792,056 |
| Receipts from intragovernmental users | - | - | - |
| Payments to suppliers | (167,331) | (3,481,009) | (213,103) |
| Payments to employees | (76,289) | (1,477,456) | (312,293) |
| Payments to intragovernmental suppliers | (12,643) | (720,175) | (349,948) |
| Net cash provided (used) by operating activities | <u>247</u> | <u>101,620</u> | <u>916,712</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Intragovernmental transfers in | - | - | - |
| Intragovernmental transfers (out) | - | - | - |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | - | (555,157) | - |
| Retirement of bonds | - | - | - |
| Interest paid on capital related debt | - | - | - |
| Capital contributions received from participants | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(555,157)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | |
| Maturity (purchase) of investments | 5,762 | 377,622 | (625,789) |
| Interest received (paid) | 15,925 | 104,039 | 167,287 |
| Net cash provided (used) by investing activities | <u>21,687</u> | <u>481,661</u> | <u>(458,502)</u> |
| Net increase (decrease) in cash and cash equivalents | 21,934 | 28,124 | 458,210 |
| Beginning cash and cash equivalents | 116,319 | 809,512 | 1,099,392 |
| Ending cash and cash equivalents | <u>\$ 138,253</u> | <u>\$ 837,636</u> | <u>\$ 1,557,602</u> |
| Ending cash and cash equivalents | | | |
| Unrestricted cash and cash equivalents | \$ 138,253 | \$ 837,636 | \$ 1,557,602 |
| Restricted cash and cash equivalents | - | - | - |
| | <u>\$ 138,253</u> | <u>\$ 837,636</u> | <u>\$ 1,557,602</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating income (loss) | \$ 5,458 | \$ 904,491 | \$ 966,013 |
| Adjustment to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | - | 194,077 | 92,830 |
| Changes in Operating Assets and Liabilities: | | | |
| (Increase) decrease in assets | | | |
| Accounts receivable, net | (7,581) | (1,046,167) | (15,559) |
| Due from other funds/divisions | - | - | - |
| Prepays | (35) | (4,948) | 337 |
| Increase (decrease) in liabilities: | | | |
| Wages payable | - | - | - |
| Accounts payable | 2,405 | 16,421 | (126,909) |
| Due to other funds/divisions | - | - | - |
| Unearned revenue | - | 37,746 | - |
| Working capital deposits | - | - | - |
| Net cash provided (used) by operating activities | <u>\$ 247</u> | <u>\$ 101,620</u> | <u>\$ 916,712</u> |

| Washburn Tunnel Facility Division | Washburn Tunnel Pipeline Facility Division | Component Unit GCIDA Division | Eliminations | Total |
|--|---|--|--------------|---------------|
| \$ 13,570,692 | \$ - | \$ - | \$ - | \$ 70,573,563 |
| 116,516 | - | - | (13,965,026) | - |
| (5,711,831) | - | (826) | - | (29,476,104) |
| (3,943,967) | - | - | - | (21,606,445) |
| (2,696,970) | - | - | 13,965,026 | (1,988,348) |
| 1,334,440 | - | (826) | - | 17,502,666 |
| - | - | - | - | 9,949 |
| - | - | - | - | (9,949) |
| - | - | - | - | - |
| (695,786) | - | - | - | (25,099,121) |
| - | - | - | - | (4,070,000) |
| - | - | - | - | (4,087,041) |
| 112,658 | - | - | - | 1,262,238 |
| (583,128) | - | - | - | (31,993,924) |
| (516,797) | - | 9,862 | - | (317,082) |
| 151,620 | - | 24,670 | - | 3,465,720 |
| (365,177) | - | 34,532 | - | 3,148,638 |
| 386,135 | - | 33,706 | - | (11,342,620) |
| 1,398,799 | - | 180,536 | - | 72,255,652 |
| \$ 1,784,934 | \$ - | \$ 214,242 | \$ - | \$ 60,913,032 |
| \$ 1,270,006 | \$ - | \$ 214,242 | \$ - | \$ 19,230,789 |
| 514,928 | - | - | - | 41,682,243 |
| \$ 1,784,934 | \$ - | \$ 214,242 | \$ - | \$ 60,913,032 |
| \$ (952,821) | \$ - | \$ 174 | \$ - | \$ 8,039,313 |
| 1,235,655 | - | - | - | 9,036,816 |
| (224,536) | - | (1,000) | - | (1,656,625) |
| - | - | - | - | (453,806) |
| (17,832) | - | - | - | (49,410) |
| - | - | - | - | 99,585 |
| 28,480 | - | - | - | 955,009 |
| - | - | - | - | 453,806 |
| 1,265,494 | - | - | - | 1,048,053 |
| - | - | - | - | 29,925 |
| \$ 1,334,440 | \$ - | \$ (826) | \$ - | \$ 17,502,666 |

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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, 2019

| | Casualty Insurance Risk Reserve | Compensated Absences | Data Processing |
|---|--|---------------------------------|----------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 105,365 | \$ 682,425 | \$ 121,410 |
| Marketable securities | 285,674 | 1,850,258 | 329,178 |
| Prepays | - | - | 216 |
| Total current assets | <u>391,039</u> | <u>2,532,683</u> | <u>450,804</u> |
| Noncurrent Assets: | | | |
| Capital assets: | | | |
| Construction in progress | - | - | 871,524 |
| Plant and equipment | - | - | 786,078 |
| Less accumulated depreciation | - | - | (696,842) |
| Total capital assets (net of accumulated depreciation) | - | - | 960,760 |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>960,760</u> |
| Total assets | <u>391,039</u> | <u>2,532,683</u> | <u>1,411,564</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows - OPEB | - | - | - |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | - | - | 70,967 |
| Current portion of accrued compensated absences | - | 1,454,172 | - |
| Total current liabilities | <u>-</u> | <u>1,454,172</u> | <u>70,967</u> |
| Noncurrent liabilities: | | | |
| Accrued compensated absences | - | 1,313,738 | - |
| Net OPEB liability | - | - | - |
| Total noncurrent liabilities | <u>-</u> | <u>1,313,738</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>2,767,910</u> | <u>70,967</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows - OPEB | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position | | | |
| Net investment in capital assets | - | - | 960,760 |
| Unrestricted | 391,039 | (235,227) | 379,837 |
| Total Net Position | <u>\$ 391,039</u> | <u>\$ (235,227)</u> | <u>\$ 1,340,597</u> |

| <u>Employees' Health Care</u> | <u>Equipment Service</u> | <u>Pretreatment Legislation</u> | <u>Total</u> |
|-----------------------------------|------------------------------|-------------------------------------|---------------------|
| \$ 530,487 | \$ 520,695 | \$ 262,347 | \$ 2,222,729 |
| 1,438,311 | 1,411,760 | 711,301 | 6,026,482 |
| 358,000 | 84 | - | 358,300 |
| <u>2,326,798</u> | <u>1,932,539</u> | <u>973,648</u> | <u>8,607,511</u> |
| - | - | - | 871,524 |
| - | 6,576,629 | - | 7,362,707 |
| - | (4,870,619) | - | (5,567,461) |
| - | <u>1,706,010</u> | - | <u>2,666,770</u> |
| - | <u>1,706,010</u> | - | <u>2,666,770</u> |
| <u>2,326,798</u> | <u>3,638,549</u> | <u>973,648</u> | <u>11,274,281</u> |
| <u>2,873,357</u> | - | - | <u>2,873,357</u> |
| <u>2,873,357</u> | - | - | <u>2,873,357</u> |
| (9,120) | - | 8,000 | 69,847 |
| - | - | - | 1,454,172 |
| <u>(9,120)</u> | - | <u>8,000</u> | <u>1,524,019</u> |
| - | - | - | 1,313,738 |
| <u>10,114,334</u> | - | - | <u>10,114,334</u> |
| <u>10,114,334</u> | - | - | <u>11,428,072</u> |
| <u>10,105,214</u> | - | <u>8,000</u> | <u>12,952,091</u> |
| <u>1,317,314</u> | - | - | <u>1,317,314</u> |
| <u>1,317,314</u> | - | - | <u>1,317,314</u> |
| - | 1,706,010 | - | 2,666,770 |
| <u>(6,222,373)</u> | <u>1,932,539</u> | <u>965,648</u> | <u>(2,788,537)</u> |
| <u>\$ (6,222,373)</u> | <u>\$ 3,638,549</u> | <u>\$ 965,648</u> | <u>\$ (121,767)</u> |

GULF COAST AUTHORITY***Combining Statement of Revenues, Expenses, and Changes in Fund Net Position******Internal Service Funds******For the year ended December 31, 2019***

| | Casualty Insurance Risk Reserve | Compensated Absences | Data Processing |
|---|--|---------------------------------|----------------------------|
| Operating revenues | | | |
| Charges for sales and services: | | | |
| Intragovernmental | \$ - | \$ - | \$ 771,000 |
| Other | - | - | - |
| Total operating revenues | - | - | 771,000 |
| Operating expenses | | | |
| Costs of sales and services | - | 129,373 | 702,941 |
| Administration | - | - | 416 |
| Depreciation | - | - | 69,671 |
| Total operating expenses | - | 129,373 | 773,028 |
| Operating income (loss) | - | (129,373) | (2,028) |
| Nonoperating revenues (expenses) | | | |
| Investment income (loss) | 12,130 | 83,541 | 11,711 |
| Gain (loss) on disposal of capital assets | - | - | - |
| Total nonoperating revenues (expenses) | 12,130 | 83,541 | 11,711 |
| Changes in Net Position | 12,130 | (45,832) | 9,683 |
| Beginning Net Position, as restated | 378,909 | (189,395) | 1,330,914 |
| Ending Net Position | <u>\$ 391,039</u> | <u>\$ (235,227)</u> | <u>\$ 1,340,597</u> |

| Employees' Health Care | Equipment Service | Pretreatment Legislation | Total |
|-----------------------------------|------------------------------|-------------------------------------|--------------|
| \$ 2,746,063 | \$ 510,951 | \$ - | \$ 4,028,014 |
| 582,732 | - | 156,000 | 738,732 |
| 3,328,795 | 510,951 | 156,000 | 4,766,746 |
| 1,023,767 | 16,985 | 96,000 | 1,969,066 |
| 3,302,734 | 247 | - | 3,303,397 |
| - | 336,006 | - | 405,677 |
| 4,326,501 | 353,238 | 96,000 | 5,678,140 |
| (997,706) | 157,713 | 60,000 | (911,394) |
| 60,885 | 63,776 | 29,756 | 261,799 |
| - | 44,800 | - | 44,800 |
| 60,885 | 108,576 | 29,756 | 306,599 |
| (936,821) | 266,289 | 89,756 | (604,795) |
| (5,285,552) | 3,372,260 | 875,892 | 483,028 |
| \$ (6,222,373) | \$ 3,638,549 | \$ 965,648 | \$ (121,767) |

GULF COAST AUTHORITY
Combining Statement of Cash Flows
Internal Service Funds
For the year ended December 31, 2019

| | Casualty Insurance Risk Reserve | Compensated Absences | Data Processing |
|--|--|---------------------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ - | \$ - | \$ - |
| Receipts from intragovernmental users | - | - | 771,000 |
| Payments to suppliers | - | - | (722,896) |
| Payments to employees | - | (15,477) | - |
| Net cash provided (used) by operating activities | <u>-</u> | <u>(15,477)</u> | <u>48,104</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | - | - | (76,706) |
| Proceeds from sale of capital assets | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>-</u> | <u>(76,706)</u> |
| Cash Flows from Investing Activities | | | |
| Maturity (purchase) of investments | 4,541 | 37,452 | 28,875 |
| Interest received | 12,130 | 83,541 | 11,711 |
| Net cash provided by (used for) investing activities | <u>16,671</u> | <u>120,993</u> | <u>40,586</u> |
| Net increase (decrease) in cash and cash equivalents | 16,671 | 105,516 | 11,984 |
| Beginning cash and cash equivalents | 88,694 | 576,909 | 109,426 |
| Ending cash and cash equivalents | <u>\$ 105,365</u> | <u>\$ 682,425</u> | <u>\$ 121,410</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | |
| Operating income (loss) | \$ - | \$ (129,373) | \$ (2,028) |
| Adjustment to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | - | - | 69,671 |
| Changes in Operating Assets and Liabilities | | | |
| (Increase) decrease in assets | | | |
| Prepays | - | - | (67) |
| Increase (decrease) liabilities | | | |
| Wages payable | - | 113,896 | - |
| Accounts payable | - | - | (19,472) |
| Net OPEB liability and related amounts | - | - | - |
| Net cash provided (used) by operating activities | <u>\$ -</u> | <u>\$ (15,477)</u> | <u>\$ 48,104</u> |

| Employees' Health Care | Equipment Service | Pretreatment Legislation | Total |
|-----------------------------------|------------------------------|-------------------------------------|---------------------|
| \$ 582,732 | \$ - | \$ 156,000 | \$ 738,732 |
| 2,746,063 | 510,951 | - | 4,028,014 |
| (3,625,158) | (17,237) | (88,000) | (4,453,291) |
| - | - | - | (15,477) |
| <u>(296,363)</u> | <u>493,714</u> | <u>68,000</u> | <u>297,978</u> |
| - | (731,119) | - | (807,825) |
| - | 44,800 | - | 44,800 |
| - | (686,319) | - | (763,025) |
| 249,996 | 167,026 | (40,435) | 447,455 |
| 60,885 | 63,776 | 29,756 | 261,799 |
| <u>310,881</u> | <u>230,802</u> | <u>(10,679)</u> | <u>709,254</u> |
| 14,518 | 38,197 | 57,321 | 244,207 |
| 515,969 | 482,498 | 205,026 | 1,978,522 |
| <u>\$ 530,487</u> | <u>\$ 520,695</u> | <u>\$ 262,347</u> | <u>\$ 2,222,729</u> |
| \$ (997,706) | \$ 157,713 | \$ 60,000 | \$ (911,394) |
| - | 336,006 | - | 405,677 |
| - | (5) | - | (72) |
| - | - | - | 113,896 |
| (9,566) | - | 8,000 | (21,038) |
| 710,909 | - | - | 710,909 |
| <u>\$ (296,363)</u> | <u>\$ 493,714</u> | <u>\$ 68,000</u> | <u>\$ 297,978</u> |

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GULF COAST AUTHORITY
PENSION AND OTHER POST-EMPLOYMENT
BENEFIT TRUST FUNDS
December 31, 2019

Gulf Coast Authority 401(a) Money Purchase Plan and Trust Fund

This fund is used to accumulate money needed to pay benefits to the Authority's retirees and beneficiaries covered by the *Gulf Coast Authority 401(a) Money Purchase Plan*. The fund is administered by the International City Managers Association Retirement Corporation (ICMA).

Gulf Coast Authority Other Post-Employment Benefit Trust Fund

This fund is used to accumulate money needed to pay benefits to the Authority's retirees and beneficiaries covered by the *Gulf Coast Authority Other Post-Employment Benefit Trust Fund*. The fund is administered by the International City Managers Association Retirement Corporation (ICMA).

GULF COAST AUTHORITY*Combining Statement of Fiduciary Net Position**Pension and Other Post-Employment Benefit Trust Funds**December 31, 2019*

| | Gulf Coast Authority 401(a) Money Purchase Plan and Trust | Gulf Coast Authority Other Post-Employment Benefit Trust | Total Pension and Other Post- Employment Benefit Trust Funds |
|--------------------------------|--|---|---|
| Assets | | | |
| Investments, at fair value: | | | |
| Stable Value/Cash Management | \$ 15,433,711 | \$ - | \$ 15,433,711 |
| Bonds | 4,456,242 | - | 4,456,242 |
| Guaranteed Lifetime Income | 8,136,976 | - | 8,136,976 |
| Balanced/Asset Allocation | 7,330,725 | - | 7,330,725 |
| U.S. Stock | 12,720,775 | - | 12,720,775 |
| International/Global Stock | 2,504,166 | - | 2,504,166 |
| Specialty | 411,010 | - | 411,010 |
| Domestic Equities | - | 4,668,343 | 4,668,343 |
| Fixed Income | - | 4,004,760 | 4,004,760 |
| Private Equity | - | 65,542 | 65,542 |
| Total Assets | \$ 50,993,605 | \$ 8,738,645 | \$ 59,732,250 |
| Net Position | | | |
| Restricted for: | | | |
| Pensions | \$ 50,993,605 | \$ - | \$ 50,993,605 |
| Other post-employment benefits | - | 8,738,645 | 8,738,645 |
| Total Net Position | \$ 50,993,605 | \$ 8,738,645 | \$ 59,732,250 |

GULF COAST AUTHORITY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Pension and Other Post-Employment Benefit Trust Funds

For the year ended December 31, 2019

| | Gulf Coast Authority 401(a) Money Purchase Plan and Trust | Gulf Coast Authority Other Post-Employment Benefit Trust | Total Pension and Other Post- Employment Benefit Trust Funds |
|---|--|---|---|
| Additions | | | |
| Contributions: | | | |
| Members | \$ 619,596 | \$ - | \$ 619,596 |
| Employers | 1,050,911 | 557,999 | 1,608,910 |
| Total contributions | 1,670,507 | 557,999 | 2,228,506 |
| Investment earnings: | | | |
| Net increase/(decrease) in fair value of investments | 7,096,317 | 1,332,894 | 8,429,211 |
| Net investment earnings | 7,096,317 | 1,332,894 | 8,429,211 |
| Other additions: | | | |
| Roll-ins | 6,955 | - | 6,955 |
| Loan repayments | 318,377 | - | 318,377 |
| Beneficiary transfers | 224,456 | - | 224,456 |
| Forfeiture credits | 188,691 | - | 188,691 |
| Miscellaneous credits | 50,777 | - | 50,777 |
| Total other additions | 789,256 | - | 789,256 |
| Total additions | 9,556,080 | 1,890,893 | 11,446,973 |
| Deductions: | | | |
| Benefit payments | 4,079,357 | - | 4,079,357 |
| Beneficiary transfers | 224,456 | - | 224,456 |
| Loan issuances | 464,321 | - | 464,321 |
| Forfeiture debits | 188,691 | - | 188,691 |
| Administrative expense | 26,745 | 42,786 | 69,531 |
| Total deductions | 4,983,570 | 42,786 | 5,026,356 |
| Change in Net Position | 4,572,510 | 1,848,107 | 6,420,617 |
| Beginning Net Position, as Restated | 46,421,095 | 6,890,538 | 53,311,633 |
| Ending Net Position | \$ 50,993,605 | \$ 8,738,645 | \$ 59,732,250 |

GULF COAST AUTHORITY***Industrial Projects - Private Activity Revenue******Bonds Issued and Outstanding******December 31, 2019***

| | Series | Date Issued | Final Maturity | Interest Rate |
|--|---------------|------------------------|---------------------------|--------------------------|
| 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

| Purpose | Total | Amount Retired | Amount Outstanding |
|---|-----------------------|---------------------------|-------------------------------|
| 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>\$ 42,000,000</u> | <u>\$ 224,200,000</u> |

GULF COAST AUTHORITY

*Gulf Coast Industrial Development Authority - Industrial
Development Revenue Bonds Issued and Outstanding
December 31, 2019*

| | <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 | \$ 12,400,000 | \$ - |
| 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>\$ 87,400,000</u> | <u>\$ 325,000,000</u> |

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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. | 90 |
| 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. | 95 |
| 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. | 96 |
| 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. | 99 |
| 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. | 101 |

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>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Primary government | | | | |
| Net investment in capital assets | \$ 65,499,281 | \$ 61,948,931 | \$ 59,278,920 | \$ 51,956,683 |
| Restricted | 5,285,912 | 5,560,832 | 5,673,882 | 5,731,659 |
| Unrestricted | <u>22,615,118</u> | <u>22,443,235</u> | <u>23,073,089</u> | <u>34,552,737</u> |
| Total primary government Net Position | <u>\$ 93,400,311</u> | <u>\$ 89,952,998</u> | <u>\$ 88,025,891</u> | <u>\$ 92,241,079</u> |

Note: The Authority implemented GASB Statement No. 75 in 2018.

| <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 52,785,531 | \$ 62,566,534 | \$ 65,537,570 | \$ 68,936,131 | \$ 73,391,834 | \$ 79,801,363 |
| 3,983,207 | 5,547,022 | 4,852,486 | 4,982,459 | 5,382,927 | 5,590,991 |
| <u>38,958,377</u> | <u>50,087,934</u> | <u>55,469,080</u> | <u>62,236,675</u> | <u>62,301,382</u> | <u>64,107,015</u> |
| <u>\$ 95,727,115</u> | <u>\$ 118,201,490</u> | <u>\$ 125,859,136</u> | <u>\$ 136,155,265</u> | <u>\$ 141,076,143</u> | <u>\$ 149,499,369</u> |

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

| | 2010 | 2011 | 2012 | 2013 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Expenses | | | | |
| Business-type activities: | | | | |
| General services | \$ 3,273,402 | \$ 2,834,832 | \$ 2,200,954 | \$ 1,867,558 |
| Wastewater treatment | 55,229,866 | 51,085,936 | 52,545,181 | 55,913,550 |
| Solid waste disposal | 1,301,995 | 927,107 | 1,101,793 | 826,055 |
| Total primary government expenses | 59,805,263 | 54,847,875 | 55,847,928 | 58,607,163 |
| Program Revenues | | | | |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| General services | 2,093,096 | 1,897,049 | 2,964,156 | 1,499,139 |
| Wastewater treatment | 51,439,683 | 49,041,872 | 52,713,336 | 54,957,532 |
| Solid waste disposal | 1,074,327 | 890,613 | 957,530 | 783,755 |
| Operating grants and contributions | 385,507 | - | - | 10,338 |
| Capital grants and contributions | 663,106 | 912,927 | 2,909,000 | 4,865,128 |
| Total primary government revenues | 55,655,719 | 52,742,461 | 59,544,022 | 62,115,892 |
| Total primary government net (expense) revenues | (4,149,544) | (2,105,414) | 3,696,094 | 3,508,729 |
| General Revenues and Other Changes in Net Position | | | | |
| Business-type activities: | | | | |
| Investment earnings (loss) | 807,340 | 702,231 | 712,353 | 519,094 |
| Extraordinary item - Hurricane Ike repairs | (14,540) | - | - | - |
| Total primary government | 792,800 | 702,231 | 712,353 | 519,094 |
| Total primary government Changes in Net Position | \$ (3,356,744) | \$ (1,403,183) | \$ 4,408,447 | \$ 4,027,823 |

Note: The Authority implemented GASB Statement No. 75 in 2018.

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| \$ 1,158,663 | \$ 922,949 | \$ 1,342,428 | \$ 1,292,295 | \$ 762,797 | \$ 1,249,518 |
| 55,037,733 | 57,103,537 | 57,389,738 | 59,162,361 | 63,292,202 | 65,539,309 |
| 853,672 | 904,667 | 947,022 | 1,005,039 | 968,693 | 934,112 |
| <u>57,050,068</u> | <u>58,931,153</u> | <u>59,679,188</u> | <u>61,459,695</u> | <u>65,023,692</u> | <u>67,722,939</u> |
| 1,555,047 | 1,809,874 | 2,075,707 | 1,821,844 | 2,046,831 | 2,182,082 |
| 56,958,781 | 60,227,895 | 60,683,240 | 64,771,316 | 68,929,692 | 67,937,673 |
| 826,806 | 888,028 | 925,322 | 976,600 | 925,920 | 915,259 |
| - | - | - | - | - | - |
| <u>7,064,990</u> | <u>8,406,698</u> | <u>2,870,910</u> | <u>3,511,433</u> | <u>821,594</u> | <u>1,379,434</u> |
| <u>66,405,624</u> | <u>71,332,495</u> | <u>66,555,179</u> | <u>71,081,193</u> | <u>72,724,037</u> | <u>72,414,448</u> |
| <u>9,355,556</u> | <u>12,401,342</u> | <u>6,875,991</u> | <u>9,621,498</u> | <u>7,700,345</u> | <u>4,691,509</u> |
| (12,355) | 315,871 | 781,655 | 674,631 | 2,134,690 | 3,727,520 |
| - | - | - | - | - | - |
| <u>(12,355)</u> | <u>315,871</u> | <u>781,655</u> | <u>674,631</u> | <u>2,134,690</u> | <u>3,731,717</u> |
| <u>\$ 9,343,201</u> | <u>\$ 12,717,213</u> | <u>\$ 7,657,646</u> | <u>\$ 10,296,129</u> | <u>\$ 9,835,035</u> | <u>\$ 8,423,226</u> |

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

| Customer | 2019 | | | 2010 | | |
|------------------------------|----------------------|------|------------------|----------------------|------|------------------|
| | Total Sales | Rank | % of Total Sales | Total Sales | Rank | % of Total Sales |
| Lyondell Chemical Company | \$ 5,963,053 | 1 | 15.5% | \$ 4,950,195 | 1 | 18.2% |
| Celanese LTD | 4,995,082 | 2 | 13.0% | 3,737,114 | 2 | 13.8% |
| Kaneka North America | 4,313,460 | 3 | 11.2% | 2,606,460 | 4 | 9.6% |
| Albemarle Corporation | 3,705,256 | 4 | 9.7% | 3,164,009 | 3 | 11.6% |
| Kuraray America | 2,455,283 | 5 | 6.4% | 949,724 | 6 | 3.5% |
| Carpenter Company | 1,526,910 | 6 | 4.0% | - | n/a | - |
| Intergulf Corp | 1,405,887 | 7 | 3.7% | 872,383 | 8 | 3.2% |
| Dixie Chemical Company, Inc. | 1,239,530 | 8 | 3.2% | 1,279,450 | 5 | 4.7% |
| American Acryl, LP | 949,850 | 9 | 2.5% | - | n/a | - |
| Noltex, LLC | 921,479 | 10 | 2.4% | - | n/a | - |
| Baker Petrolite, LLC | - | n/a | - | 895,141 | 7 | 3.3% |
| Sun Products | - | n/a | - | 613,749 | 9 | 2.3% |
| Lubrizol Corporation | - | n/a | - | 572,536 | 10 | 2.1% |
| Subtotal | 27,475,790 | | 71.62% | 19,640,761 | | 72.31% |
| Other customers | 10,888,875 | | 28.38% | 7,522,389 | | 27.69% |
| Total | \$ 38,364,665 | | 100.00% | \$ 27,163,150 | | 100.00% |

Source: GCA General Ledger for Current Year and Nine Years Ago

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

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Net Income (loss) | \$ (1,038,507) | \$ (479,508) | \$ 3,372,235 | \$ 620,770 |
| Add items not includable in current expenses: | | | | |
| Bond interest expense | 1,814,644 | 1,666,275 | 1,424,400 | 2,182,607 |
| Depreciation | 4,783,144 | 4,716,215 | 4,567,156 | 4,533,646 |
| Management fees | <u>650,004</u> | <u>698,748</u> | <u>798,804</u> | <u>898,800</u> |
| Pledge revenues | 6,209,285 | 6,601,730 | 10,162,595 | 8,235,823 |
| Average annual debt service on outstanding bonds | <u>\$ 3,381,864</u> | <u>\$ 3,265,465</u> | <u>\$ 3,231,758</u> | <u>\$ 3,113,717</u> |
| Actual debt service on outstanding bonds | <u>\$ 4,864,917</u> | <u>\$ 4,864,644</u> | <u>\$ 4,856,275</u> | <u>\$ 3,669,950</u> |
| Coverage by pledged revenues of average annual debt service on outstanding bonds | 1.84 | 2.02 | 3.14 | 2.65 |
| Coverage by pledged revenues of actual debt service on outstanding bonds | 1.28 | 1.36 | 2.09 | 2.24 |

| <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 3,877,727 | \$ 4,679,665 | \$ 5,007,053 | \$ 7,524,313 | \$ 6,877,577 | \$ 4,029,106 |
| 1,879,274 | 2,788,107 | 2,704,239 | 2,573,376 | 3,755,094 | 3,585,948 |
| 4,395,904 | 4,478,265 | 4,950,344 | 4,135,186 | 4,160,631 | 4,713,913 |
| 998,004 | 1,047,900 | 1,077,900 | 1,177,896 | 1,237,896 | 1,287,900 |
| 11,150,909 | 12,993,937 | 13,739,536 | 15,410,771 | 16,031,198 | 13,616,867 |
| <u>\$ 3,254,134</u> | <u>\$ 4,845,390</u> | <u>\$ 4,748,064</u> | <u>\$ 4,640,346</u> | <u>\$ 5,329,072</u> | <u>\$ 5,438,341</u> |
| <u>\$ 5,573,038</u> | <u>\$ 5,469,828</u> | <u>\$ 6,694,588</u> | <u>\$ 6,686,988</u> | <u>\$ 7,326,006</u> | <u>\$ 8,144,963</u> |
| 3.43 | 2.68 | 2.89 | 3.32 | 3.01 | 2.50 |
| 2.00 | 2.38 | 2.05 | 2.30 | 2.19 | 1.67 |

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> | | | |
| 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% |
| 2018 (3) | 76,170 | 13,985 | - | - | 9,142 | 99,297 | 71,902 | 138.10% |
| 2019 | 74,340 | 11,745 | - | - | 8,600 | 94,685 | 71,152 | 133.07% |

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.

(3) In 2018 the Authority issued the Gulf Coast Waste Disposal Authority Bayport Area System Revenue Bonds, Series 2018.

GULF COAST AUTHORITY
ACTIVE INDUSTRIAL AND MUNICIPAL CUSTOMERS
Last Ten Years

| <u>Fiscal Year</u> | <u>Business-Type Activities</u> |
|--------------------|---------------------------------|
| 2010 | 148 |
| 2011 | 156 |
| 2012 | 154 |
| 2013 | 156 |
| 2014 | 176 |
| 2015 | 199 |
| 2016 | 203 |
| 2017 | 203 |
| 2018 | 221 |
| 2019 | 249 |

Source: Facility operating records.

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

| Year | General Services | Wastewater Treatment | Solid Waste Disposal | Total |
|-------------|-----------------------------|---------------------------------|-------------------------------------|--------------|
| 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 |
| 2018 | 33 | 125 | 1 | 159 |
| 2019 | 33 | 126 | 2 | 161 |

Source: Human Resources

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

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function/Program | | | | | | | | | | |
| Wastewater Treatment | | | | | | | | | | |
| Wastewater treated (MGD)* | 41.350 | 41.900 | 45.752 | 47.638 | 47.638 | 46.080 | 44.353 | 46.040 | 47.630 | 46.990 |
| Permitted capacity (MGD) | 85.700 | 85.700 | 86.950 | 91.950 | 91.250 | 91.950 | 88.050 | 84.950 | 84.950 | 87.450 |
| Solid Waste Disposal | | | | | | | | | | |
| Nonhazardous waste | | | | | | | | | | |
| received (cubic yards) | 1,072 | 668 | 1,706 | 2,123 | 1,005 | 1,674 | 2,761 | 1,078 | 1,505 | 2,732 |
| Permitted capacity | | | | | | | | | | |
| (cubic yards) | 95,000 | 95,000 | 95,000 | 95,000 | 95,000 | 95,000 | 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.

GULF COAST AUTHORITY

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function/Program | | | | | | | | | | |
| General Services: | | | | | | | | | | |
| Administrative Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Wastewater Treatment: | | | | | | | | | | |
| Aeration basins | 22 | 22 | 22 | 22 | 18 | 16 | 15 | 15 | 15 | 15 |
| Aeration tanks | 5 | 5 | 5 | 5 | 10 | 12 | 13 | 13 | 13 | 13 |
| Aerobic digester basins | 12 | 12 | 12 | 12 | 13 | 13 | 12 | 12 | 12 | 12 |
| Anaerobic basins | 1 | 1 | 1 | 1 | | | 1 | 1 | 1 | 1 |
| Belt presses | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 |
| Clarifiers | 17 | 17 | 17 | 17 | 19 | 19 | 20 | 20 | 21 | 21 |
| Equalization basins | 5 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 8 | 8 |
| Facultative basins | 2 | 2 | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |
| Gravity filters | 5 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 8 | 8 |
| Disinfect areas | 5 | 5 | 5 | 5 | 7 | 7 | 5 | 5 | 5 | 5 |
| Sewerage acceptance units | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Sludge surface disposal basins | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Solid Waste Disposal: | | | | | | | | | | |
| Land treatment units | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Hazardous waste disposal cells | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 5 | 5 |
| Non-hazardous waste disposal cells | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| | <u>102</u> | <u>102</u> | <u>102</u> | <u>102</u> | <u>116</u> | <u>116</u> | <u>115</u> | <u>115</u> | <u>113</u> | <u>113</u> |

Source: Various Facilities

TEXAS SUPPLEMENTARY INFORMATION SECTION

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GULF COAST AUTHORITY
TSI-1 SERVICES AND RATES
Year ended December 31, 2019

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, 2019

| | |
|----------------------------|--------------------------|
| Personnel services * | 21,861,164 |
| Materials and supplies | 9,143,776 |
| Utilities | 4,627,066 |
| Repairs and maintenance | 5,485,717 |
| Professional services | 2,602,874 |
| Contractual services | 8,043,258 |
| General and administrative | 2,102,865 |
| Major repairs | 1,007,086 |
| Interest and amortization | 3,585,948 |
| Depreciation | 9,105,685 |
| Other | <u>157,500</u> |
| | <u><u>67,722,939</u></u> |

* Number of persons employed by the Authority: 161 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, 2019

| | Identification or Certificate Number | Effective Yield | Maturity Date | Balance at End of Year (Fair Value) |
|------------------------------------|---|------------------------|--------------------------|--|
| Texas CLASS | N/A | 1.88% | N/A | \$ 5,832,934 |
| Texas TERM | N/A | 1.66% | N/A | 45,584,183 |
| Texpool | N/A | 1.62% | N/A | 514,928 |
| Certificate of Deposit | 05580ACF9 | 2.25% | 07/17/20 | 250,463 |
| Certificate of Deposit | 14042E4Y3 | 2.25% | 07/22/20 | 250,474 |
| Certificate of Deposit | 32082BEB1 | 1.80% | 10/30/20 | 248,771 |
| Certificate of Deposit | 38148J3R0 | 2.25% | 12/09/20 | 247,656 |
| Certificate of Deposit | 40434AC72 | 2.33% | 11/17/20 | 247,504 |
| Certificate of Deposit | 51210SKZ9 | 1.90% | 01/22/21 | 248,745 |
| Certificate of Deposit | 55266CQE9 | 1.80% | 01/15/21 | 248,489 |
| Total temporary investments | | | | \$ 53,674,146 |

GULF COAST AUTHORITY*Page 1 of 4***TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR***(All Bonded Debt Services) - By Years**December 31, 2019*

| Due During the Year Ending | Annual Requirements for All Series | | | |
|-------------------------------|------------------------------------|----------------------|-----------------------|-----------------------|
| | Principal Due 10/01 | Interest Due 4/01 | Interest Due 10/01 | Total |
| 2020 | \$ 4,255,000 | \$ 1,940,307 | \$ 1,940,306 | \$ 8,135,613 |
| 2021 | 4,455,000 | 1,838,682 | 1,838,681 | 8,132,363 |
| 2022 | 4,680,000 | 1,727,307 | 1,727,306 | 8,134,613 |
| 2023 | 4,910,000 | 1,610,307 | 1,610,306 | 8,130,613 |
| 2024 | 5,155,000 | 1,487,557 | 1,487,556 | 8,130,113 |
| 2025 | 3,635,000 | 1,358,682 | 1,358,681 | 6,352,363 |
| 2026 | 3,790,000 | 1,280,057 | 1,280,056 | 6,350,113 |
| 2027 | 3,950,000 | 1,197,907 | 1,197,906 | 6,345,813 |
| 2028 | 4,155,000 | 1,099,157 | 1,099,156 | 6,353,313 |
| 2029 | 4,350,000 | 995,282 | 995,281 | 6,340,563 |
| 2030 | 4,575,000 | 886,532 | 886,531 | 6,348,063 |
| 2031 | 4,800,000 | 772,157 | 772,156 | 6,344,313 |
| 2032 | 5,025,000 | 663,019 | 663,018 | 6,351,037 |
| 2033 | 5,250,000 | 548,635 | 548,634 | 6,347,269 |
| 2034 | 3,705,000 | 442,388 | 442,387 | 4,589,775 |
| 2035 | 3,840,000 | 376,385 | 376,384 | 4,592,769 |
| 2036 | 1,970,000 | 307,975 | 307,975 | 2,585,950 |
| 2037 | 2,050,000 | 268,575 | 268,575 | 2,587,150 |
| 2038 | 2,130,000 | 227,575 | 227,575 | 2,585,150 |
| 2039 | 2,215,000 | 184,975 | 184,975 | 2,584,950 |
| 2040 | 2,305,000 | 140,675 | 140,675 | 2,586,350 |
| 2041 | 2,395,000 | 95,575 | 95,575 | 2,586,150 |
| 2042 | 2,490,000 | 48,719 | 48,719 | 2,587,438 |
| | <u>\$ 86,085,000</u> | <u>\$ 19,498,430</u> | <u>\$ 19,498,414</u> | <u>\$ 125,081,844</u> |

GULF COAST AUTHORITY*Page 2 of 4***TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR***(All Bonded Debt Services) - By Years**December 31, 2019*

| Due During the Year Ending | Series, 2013 | | | |
|-------------------------------|------------------------|----------------------|-----------------------|----------------------|
| | Principal Due 10/01 | Interest Due 4/01 | Interest Due 10/01 | Total |
| 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>\$ 30,035,000</u> | <u>\$ 4,016,806</u> | <u>\$ 4,016,806</u> | <u>\$ 38,068,612</u> |

GULF COAST AUTHORITY*Page 3 of 4***TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR***(All Bonded Debt Services) - By Years**December 31, 2019*

| Due During the Year Ending | Series, 2015 | | | |
|-------------------------------|------------------------|----------------------|-----------------------|----------------------|
| | Principal Due 10/01 | Interest Due 4/01 | Interest Due 10/01 | Total |
| 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>\$ 22,280,000</u> | <u>\$ 4,890,072</u> | <u>\$ 4,890,072</u> | <u>\$ 32,060,144</u> |

GULF COAST AUTHORITY*Page 4 of 4***TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEAR***(All Bonded Debt Services) - By Years**December 31, 2019*

| Due During the Year Ending | Series, 2018 | | | |
|-------------------------------|------------------------|----------------------|-----------------------|----------------------|
| | Principal Due 10/01 | Interest Due 4/01 | Interest Due 10/01 | Total |
| 2020 | \$ - | \$ 721,913 | \$ 721,912 | \$ 1,443,825 |
| 2021 | - | 721,913 | 721,912 | 1,443,825 |
| 2022 | - | 721,913 | 721,912 | 1,443,825 |
| 2023 | 585,000 | 721,913 | 721,912 | 2,028,825 |
| 2024 | 615,000 | 707,288 | 707,287 | 2,029,575 |
| 2025 | 1,205,000 | 691,913 | 691,912 | 2,588,825 |
| 2026 | 1,265,000 | 661,788 | 661,787 | 2,588,575 |
| 2027 | 1,325,000 | 630,163 | 630,162 | 2,585,325 |
| 2028 | 1,395,000 | 597,038 | 597,037 | 2,589,075 |
| 2029 | 1,460,000 | 562,163 | 562,162 | 2,584,325 |
| 2030 | 1,535,000 | 525,663 | 525,662 | 2,586,325 |
| 2031 | 1,610,000 | 487,288 | 487,287 | 2,584,575 |
| 2032 | 1,695,000 | 447,038 | 447,037 | 2,589,075 |
| 2033 | 1,780,000 | 404,663 | 404,662 | 2,589,325 |
| 2034 | 1,840,000 | 373,513 | 373,512 | 2,587,025 |
| 2035 | 1,905,000 | 341,313 | 341,312 | 2,587,625 |
| 2036 | 1,970,000 | 307,975 | 307,975 | 2,585,950 |
| 2037 | 2,050,000 | 268,575 | 268,575 | 2,587,150 |
| 2038 | 2,130,000 | 227,575 | 227,575 | 2,585,150 |
| 2039 | 2,215,000 | 184,975 | 184,975 | 2,584,950 |
| 2040 | 2,305,000 | 140,675 | 140,675 | 2,586,350 |
| 2041 | 2,395,000 | 95,575 | 95,575 | 2,586,150 |
| 2042 | 2,490,000 | 48,719 | 48,719 | 2,587,438 |
| | <u>\$ 33,770,000</u> | <u>\$ 10,591,552</u> | <u>\$ 10,591,536</u> | <u>\$ 54,953,088</u> |

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GULF COAST AUTHORITY**TSI-6 CHANGES IN LONG-TERM BONDED DEBT***Year ended December 31, 2019*

| Revenue Bonds | Interest Rate | Bonds Outstanding 1/1/19 | Requirements 2019 | | | | Bonds Outstanding 12/31/19 |
|--|------------------|--------------------------------|---------------------------|--------------------------|--------------------------|---------------------|----------------------------------|
| | | | Principal Due 10/01 | Interest Due 04/01 | Interest Due 10/01 | Total | |
| Series 2013 Revenue and Refunding Bonds | 3.0-5.0 | \$ 33,190,000 | \$ 3,155,000 | \$ 771,144 | \$ 771,144 | \$ 4,697,288 | \$ 30,035,000 |
| Series 2015 Revenue Bonds | 2.0-5.0 | \$ 23,195,000 | \$ 915,000 | \$ 544,425 | \$ 544,425 | \$ 2,003,850 | \$ 22,280,000 |
| Series 2018 Revenue Bonds | 3.5-5.0 | \$ 33,770,000 | \$ - | \$ 721,913 | \$ 721,912 | \$ 1,443,825 | \$ 33,770,000 |
| | | <u>\$ 90,155,000</u> | <u>\$ 4,070,000</u> | <u>\$ 2,037,482</u> | <u>\$ 2,037,481</u> | <u>\$ 8,144,963</u> | <u>\$ 86,085,000</u> |

Paying Agent's Name & City

The Bank of New York Mellon

| | |
|---|---------------------|
| Debt Service Reserve Fund cash and investments balances as of December 31, 2019 | <u>\$ 5,791,699</u> |
|---|---------------------|

| | |
|---|---------------------|
| Average Annual Debt Service payment (Principal and Interest) for remaining term of all debt | <u>\$ 5,438,341</u> |
|---|---------------------|

GULF COAST AUTHORITY
TSI-7 SCHEDULE OF REVENUES AND EXPENSES
Enterprise Funds
For Five Years ended December 31, 2019

| | Amounts | | | | |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Operating revenues | | | | | |
| Charges for sales and services | | | | | |
| Services to industries | \$65,792,014 | \$67,775,496 | \$62,969,599 | \$59,992,734 | \$59,573,997 |
| Services to municipalities | 4,111,071 | 3,050,025 | 2,816,964 | 2,705,221 | 2,769,723 |
| Other | 1,249,125 | 1,076,922 | 1,783,197 | 986,314 | 582,083 |
| Total revenues | 71,152,210 | 71,902,443 | 67,569,760 | 63,684,269 | 62,925,803 |
| Expenditures | | | | | |
| Cost of sales and services | 50,253,488 | 48,707,216 | 46,852,819 | 44,339,421 | 45,011,260 |
| Administrative | 3,822,593 | 4,023,496 | 3,577,296 | 3,694,670 | 3,618,295 |
| Depreciation | 9,036,816 | 8,193,222 | 8,448,619 | 9,493,602 | 8,310,028 |
| Total expenditures | 63,112,897 | 60,923,934 | 58,878,734 | 57,527,693 | 56,939,583 |
| Operating income (loss) | 8,039,313 | 10,978,509 | 8,691,026 | 6,156,576 | 5,986,220 |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest income | 3,465,721 | 1,995,599 | 629,283 | 687,156 | 277,784 |
| Interest expense | (3,585,948) | (3,755,074) | (2,573,376) | (2,704,239) | (2,788,107) |
| Gain (loss) on disposal of capital asset | (157,500) | (40,923) | (589) | (77,768) | 79,437 |
| Insurance proceeds | 4,197 | 57,366 | 814 | - | - |
| Total non-operating revenues (expenses) | (273,530) | (1,743,032) | (1,943,868) | (2,094,851) | (2,430,886) |
| Income (loss) before contributions | 7,765,783 | 9,235,457 | 6,747,158 | 4,061,725 | 3,555,334 |
| Capital Contributions, net | 1,262,238 | 764,228 | 3,510,619 | 2,870,910 | 8,312,075 |
| Change in Net Position | \$ 9,028,021 | \$ 9,999,685 | \$ 10,257,777 | \$ 6,932,635 | \$ 11,867,409 |
| Total active industrial and municipal participants | 249 | 221 | 203 | 203 | 199 |

| Percent of Total Revenues | | | | |
|---------------------------|--------|--------|--------|--------|
| 2019 | 2018 | 2017 | 2016 | 2015 |
| 92.4% | 94.3% | 93.3% | 94.4% | 94.8% |
| 5.8% | 4.2% | 4.2% | 4.2% | 4.4% |
| 1.8% | 1.5% | 2.5% | 1.4% | 0.8% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 70.6% | 67.7% | 69.3% | 69.6% | 71.5% |
| 5.4% | 5.6% | 5.3% | 5.8% | 5.8% |
| 12.7% | 11.4% | 12.5% | 14.9% | 13.2% |
| 88.7% | 84.7% | 87.1% | 90.3% | 90.5% |
| 11.3% | 15.3% | 12.9% | 9.7% | 9.5% |
| 4.9% | 2.8% | 0.9% | 1.1% | 0.4% |
| -5.0% | -5.2% | -3.8% | -4.2% | -4.4% |
| -0.2% | -0.1% | | -0.1% | 0.1% |
| | 0.1% | | | |
| -0.3% | -2.4% | -2.9% | -3.2% | -3.9% |
| 11.0% | 12.9% | 10.0% | 6.5% | 5.6% |
| 1.8% | 1.1% | 5.2% | 4.5% | 13.2% |
| 12.8% | 14.0% | 15.2% | 11.0% | 18.8% |

GULF COAST AUTHORITY**TSI-8 BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL***Year ended December 31, 2019*

| | |
|--|---|
| 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>8/19</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 12/31/19 | Expenses reimbursed 12/31/19 | Title at Year End |
|--------------------------|---|---------------------------|---|---|------------------------------|
| Franklin D.R. Jones, Jr. | 09/01/15 - 08/31/20 | Appointed (2) | \$ 5,550 | \$ 7,163 | Chairman |
| Rita E. Standridge | 09/01/16 - 08/31/20 | Appointed (3) | 3,600 | 690 | Vice Chair |
| W. Chris Peden | 09/01/16 - 08/31/20 | Appointed (2) | 3,150 | 702 | Secretary |
| Kevin M. Scott | 02/08/18 - 08/31/20 | Appointed (1) | 5,100 | 4,521 | Treasurer |
| J. Mark Schultz | 09/01/16 - 08/31/20 | Appointed (2) | 6,000 | 10,884 | Member |
| Billy J. Enochs | 09/01/19 - 08/31/20 | Appointed (3) | 1,650 | 451 | Member |
| Lamont E. Meaux | 09/01/14 - 08/31/20 | Appointed (1) | 2,100 | 2,582 | Member |
| Gloria A. Matt | 05/09/19 - 08/31/20 | Appointed (1) | 1,950 | 889 | Member |

Key Administrative Personnel:

| | | | | | |
|--------------|----------|-----|------------|-----------|-------------------------|
| Lori Traweck | 07/29/17 | N/A | \$ 316,498 | \$ 11,678 | Chief Executive Officer |
|--------------|----------|-----|------------|-----------|-------------------------|

Consultants:

| | | | | | |
|-------------------|----------|-----|-----------|------|-------------------|
| Olson and Olson | 01/01/80 | N/A | \$ 99,643 | \$ - | General Counsel |
| Whitley Penn, LLP | 10/01/06 | N/A | \$ 77,922 | \$ - | 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