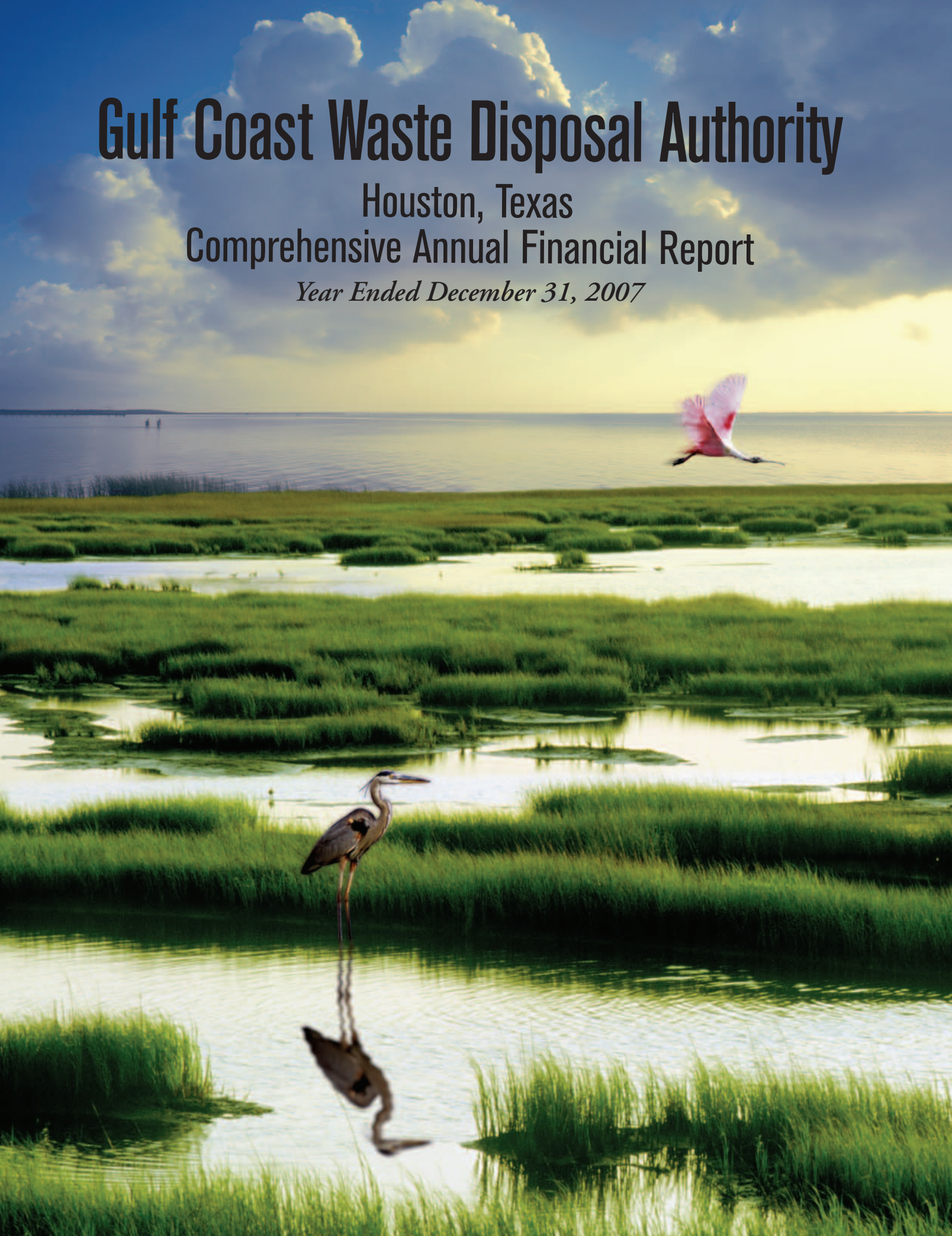


# Gulf Coast Waste Disposal Authority

Houston, Texas

Comprehensive Annual Financial Report

*Year Ended December 31, 2007*



Created by the Texas Legislature in 1969, Gulf Coast Waste Disposal Authority (GCA) is a non-tax-supported unit of local government dedicated to waste management activities. The Authority's primary jurisdiction, and the area from which the nine member Board of Directors is selected, is comprised of Harris, Chambers and Galveston counties. The Authority may provide services in any part of the State of Texas but coordinates its activities with any other authorities or districts in those areas.

GCA owns and operates four industrial wastewater treatment facilities that process liquid wastes from more than 60 petrochemical plants. Three of the treatment facilities are in Harris and Galveston Counties. The fourth is located in Odessa, Texas. The Authority also operates a regional sewage treatment plant located in Friendswood, Texas. An industrial solid waste landfill is located in the Texas City area and a trucked-in liquid waste receiving station is operated near the Houston Ship Channel.

Gulf Coast Authority focuses on providing cost-effective wastewater treatment and serving as a resource for continued economic development.



Gulf Coast Waste Disposal Authority

Gulf Coast Waste Disposal Authority  
910 Bay Area Boulevard • Houston, Texas 77058  
Phone: 281-488-4115 • [www.gcwda.com](http://www.gcwda.com)

**GULF COAST WASTE DISPOSAL AUTHORITY  
HOUSTON, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Prepared by The Finance Department**

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# GULF COAST WASTE DISPOSAL AUTHORITY

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## **INTRODUCTION SECTION**

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Gulf Coast Waste Disposal Authority

910 Bay Area Blvd Houston, Texas 77058

Phone: (281) 488-4115 • Fax: (281) 488-3331

April 10, 2008

To the Board of Directors, participants, customers, and citizens  
Gulf Coast Waste Disposal Authority

The Texas Water Code, Section 49.191, requires an annual audit of the Gulf Coast Waste Disposal Authority's (the "Authority" or "GCWDA") books of accounts, financial records and transactions by independent certified public accountants selected by the Board of Directors. This report is published to fulfill that requirement for the fiscal year ended December 31, 2007.

The Texas Water Code, Section 49.194 requires that the Authority submit a copy of the Comprehensive Annual Financial Report (CAFR) to the Texas Commission on Environmental Quality within 135 days of year end, along with annual filing affidavits stating that copies of the report 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 report must also be filed with the Governor of the State of Texas, the State Auditor, and the Pension Review Board. These filing requirements are being met.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Null-Lairson, PC, Certified Public Accountants, has issued an unqualified ("clean") opinion on the Authority's financial statements for the year ended December 31, 2007. The independent auditors' report is located at the front of the financial section of this report.

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

### *Profile of the Government*

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 enable governments and industries to better manage their pollution control needs. These services include the operation of waste treatment facilities, technical assistance and information

programs, involvement in community environmental projects, pollution control, and private activity bond financing of projects for other entities.

Each year the Authority's Board of Directors adopts an annual budget for the General Services Division. Consistent with Section 49.057 of the Texas Water Code, annual budgets are not legal spending limits, but rather management devices for evaluation of program efficiency and effective use of resources. Accordingly, this financial plan is defined as a *non-appropriated* budget.

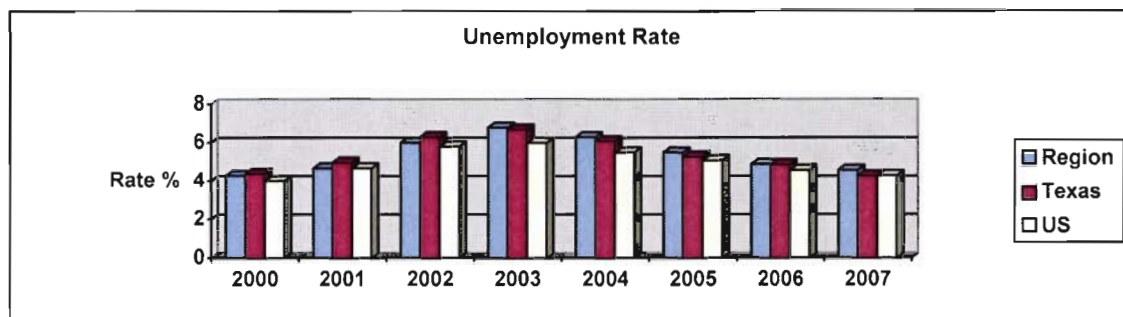
During 2007 the Authority operated four industrial wastewater treatment plants, one municipal sewage treatment plant, an industrial solid waste landfill, a pipeline, a receiving station for the collection of wastewater from area portable toilet companies as well as other wastewater customers, and a service that provides billing and collection for utility districts. In addition, the Authority operated a central laboratory that has consolidated most of GCWDA's testing procedures.

### *Local economy*

Harris, Galveston, and Chambers Counties form the primary jurisdictional area for the Authority. Situated near major petroleum and natural-gas fields, this area is the center of the national petroleum industry. The region also has a diverse industrial base in manufacturing aeronautics and technology. Houston, located in Harris County, is the world's primary producer of oil-field equipment. The Houston area is also home to the Port of Houston which according to rankings published by the American Association of Port Authorities on US port cargo tonnage, has ranked second in the United States in total tonnage handled for fifteen consecutive years.

The Authorities' main jurisdictional area is within the Houston-Sugarland-Baytown Metropolitan Statistical Area. According to the December 2007, issue of Houston – The Economy at a Glance, a publication of the Greater Houston Partnership, this 10-county Houston metropolitan area saw a 2.4 percent increase in job growth in 2007. During 2008, the Houston economy is predicted to continue to be strong due to the higher oil prices leading to the increase demand for more production, exploration and other oilfield services. Additionally, the weakening of the U.S. dollar stimulates exportation of goods and services which benefits Houston. Though these economic factors favor the Houston statistical area, job growth predictions for 2008 indicate a slowdown to 2.0 percent.

The following chart shows the Region's unemployment rate over the past eight years in comparison to the United States and the State of Texas.



Source – Texas Workforce Commission

### *Long-term financial planning*

The Houston-Galveston area has been designated as a nonattainment area for ozone. Area industries and the Texas Commission on Environmental Quality, an agency of the State of Texas, are working to lower emissions of designated pollutants as necessary to achieve attainment of the ground level ozone standard by the year 2010. During 2007 The Bayport Area System Facility, which is owned and operated by the Authority, and the Washburn Tunnel Facility completed construction on significant capital improvements which will enable these facilities to meet these permitting requirements. The Bayport Area System Facility construction was financed from proceeds of the Authority issued Bayport Area System Revenue Bonds, Series 2004. The construction at the Washburn Tunnel Facility was financed through a loan with a local financial institution and an equipment rental contract from an outside vendor.

The Authority also operates the 40 Acre Facility which is another industrial treatment plant that is within the nonattainment area. This Facility is currently undergoing capital improvements with the construction of an oxygen activated sludge system treatment unit. Funding for these capital improvements are being paid solely by Union Carbide Corporation. Construction is expected to be completed during the third quarter of 2008.

During 2007, the Authority continued managing risk with comprehensive general liability, errors and omissions, automobile, workers compensation and property insurance by participation in the TWCA Risk Management Fund self-insurance pool. The pool is available to members of the Texas Water Conservation Association. The Authority maintains a Casualty Insurance Risk Reserve Internal Service Fund to pay for losses within the Risk Management pool's insurance deductible limits. Coverage is provided for all other insurable losses through private insurance companies.

### *Awards*

#### **Sewage Treatment Awards**

The Authority's 40 Acre, Odessa South, Blackhawk and Bayport Facilities received recognition by the National Association of Clean Water Agencies. The Blackhawk Facility received the Platinum 11 award in 2007. The Platinum award is given to a facility that has had perfect operating permit compliance for five consecutive years. Through 2007 the Blackhawk Facility has gone eleven years in a row without a single permit violation; therefore, it was awarded the

Platinum 11. The 40 Acre and Bayport Facilities received the Gold Award in 2007 which is given to acknowledge 100 percent compliance with the Facility's discharge permit for 12 months. The Odessa Facility received the Silver award in 2007 which recognizes a plant that has had no more than five permit excursions during the year.

#### Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to Gulf Coast Waste Disposal Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006. This was the 20th 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 our current 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.


#### *Acknowledgements*

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,



Charles Ganze  
General Manager



James Cooksey  
Manager, Financial Services

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Gulf Coast Waste  
Disposal Authority  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Cherie S. Cox*

President

*Jeffrey R. Emery*

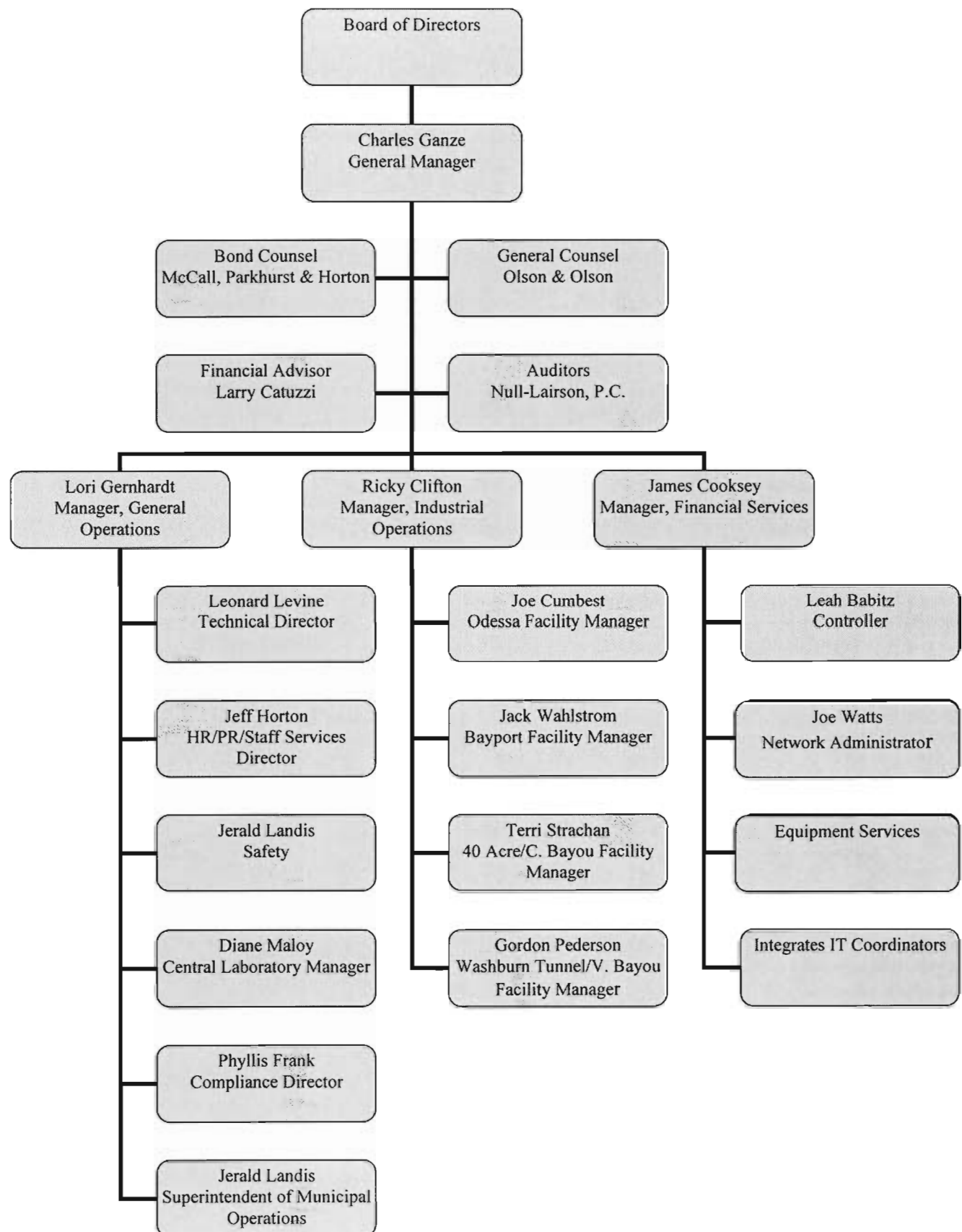
Executive Director

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# GULF COAST WASTE DISPOSAL AUTHORITY

## ORGANIZATIONAL CHART

December 31, 2007



# GULF COAST WASTE DISPOSAL AUTHORITY

BOARD OF DIRECTORS

December 31, 2007

## Chairman

J. MARK SCHULTZ

Representing Chambers County

Appointed by County Commissioners Court

## Vice Chairman

RITA STANDRIDGE

Representing Chambers County

Appointed by Consortium of Mayors

## Treasurer

IRVIN W. OSBORNE-LEE

Representing Harris County

Appointed by Consortium of Mayors

## Secretary

SAM DELL'OLIO

Representing Galveston County

Appointed by Governor

## Directors

ZOE MILIAN BARINAGA

Representing Harris County

Appointed by Governor

RON CROWDER

Representing Galveston County

Appointed by Consortium of Mayors

SHIRLEY SEALE

Representing Chambers County

Appointed by Governor

FRANKLIN D. R. JONES, JR.

Representing Harris County

Appointed by County Commissioners Court

JAMES A. MATTHEWS, JR.

Representing Galveston County

Appointed by County Commissioners Court



# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **COMMITTEE/BOARD ASSIGNMENT**

December 31, 2007

### INDUSTRIAL DEVELOPMENT BOARD

Ron Crowder – President  
Charles Ganze – Vice President  
James Cooksey – Secretary

### PUBLIC POLICY COMMITTEE

James Matthews – Chairman  
Irvin Osborne-Lee  
Frank Jones  
Rita Standridge

### AUDIT COMMITTEE

Irvin Osborne-Lee – Chairman  
James Matthews  
Sam Dell'Olio  
Shirley Seale

### BUDGET REVIEW COMMITTEE

Irvin Osborne-Lee – Chairman  
Shirley Seale  
Sam Dell'Olio

### SPECIAL PROJECT COMMITTEE

Rita Standridge – Chairman  
James Matthews  
Shirley Seale  
Irvin Osborne-Lee

### PROJECT REVIEW COMMITTEE

Mark Schultz – Chairman  
Irvin Osborne-Lee  
Sam Dell'Olio  
Shirley Seale

### LEGISLATIVE COMMITTEE

Mark Schultz – Chairman  
Frank Jones  
Ron Crowder  
Rita Standridge

# **GULF COAST WASTE DISPOSAL AUTHORITY**

ADMINISTRATIVE STAFF AND CONSULTANTS

December 31, 2007

General Manager

CHARLES GANZE

Manager of Financial Services

JAMES COOKSEY

Manager of General Operations

LORI GERNHARDT

Manager of Industrial Operations

RICKY CLIFTON

Controller

LEAH BABITZ, CPA

Human Resources Director

JEFFREY HORTON

General Counsel

OLSON & OLSON

Houston, Texas

Bond Counsel

McCALL, PARKHURST & HORTON

Dallas, Texas

Financial Advisor

LARRY CATUZZI

Houston, Texas

Auditors

NULL-LAIRSON, PC

Certified Public Accountants

Houston, Texas

General Office

GULF COAST WASTE DISPOSAL AUTHORITY

910 Bay Area Boulevard

Houston, Texas 77058

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Gulf Coast Waste Disposal Authority as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gulf Coast Waste Disposal Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Gulf Coast Waste Disposal Authority, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 section, combining information and statements, other supplementary information, statistical section, and Texas supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Audit Committee and Board of Directors  
Gulf Coast Waste Disposal Authority  
Page 2

The combining information and statements and the other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical section and Texas supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Null - Lairson, PC**

Houston, Texas  
April 10, 2008

# GULF COAST WASTE DISPOSAL AUTHORITY

## MANAGEMENTS' DISCUSSION AND ANALYSIS

December 31, 2007

As management of Gulf Coast Waste Disposal Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Gulf Coast Waste Disposal Authority for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in our letter of transmittal, which can be found on pages i - iv of this report. The amounts in the text of the MD&A are rounded to the nearest one hundred dollars.

### FINANCIAL HIGHLIGHTS

- Reclassification of all Authority operations to Business-type Activities
- Construction in progress decreased by \$1,650,500
- Net assets increased by \$12,463,900
- Revenues increased by \$4,836,500 and expenses decreased by \$3,311,800

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Gulf Coast Waste Disposal Authority's basic financial statements. The Authority's basic 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.

**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 assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 fiscal periods (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.

**Proprietary funds.** The Authority maintains two different types of proprietary funds: enterprise fund and internal service funds. An enterprise fund is used to report the functions that are business-type activities. The Authority had one enterprise fund that is divided into twelve divisions. These divisions

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**MANAGMENTS' DISCUSSION AND ANALYSIS**  
December 31, 2007

are the General Services Division, Alief Regional Facility Division, Bayport Area System Division, Blackhawk Regional Facility Division, Campbell Bayou Facility Division, Central Laboratory Division, 40 Acre Facility Division, Municipal Operations Division, Odessa South Regional Facility Division, Vince Bayou Facility Division, Washburn Tunnel Facility Division and the Washburn Tunnel Pipeline Facility Division. Internal services funds are an accounting device used to accumulate and allocate costs internally amongst the Authority's various divisions. The Authority uses internal service funds to account for payment of compensated absences; deductible amounts on casualty insurance claims; medical and dental benefits to Authority employees, participating dependents, and eligible retirees; equipment services; data processing; and governmental relations services regarding pretreatment legislation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. 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 financial statements can be found in the basic financial statements under proprietary funds of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the combined financial statements because resources of those funds are *not* available to support the Authority's own programs. The basic fiduciary fund financial statements can be found in the basic financial statements under fiduciary funds 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. The notes to the financial statements can be found at the end of the basic financial statements report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* concerning conduit debt issued and outstanding which can be found after the combining information and statements of this report.

The combining information by division and the combining statements referred to earlier in connection with the internal service funds are presented immediately preceding the other supplementary information on conduit debt. These combining information and statements can be found after the basic financial statements of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve as an indicator of a government's financial position. In the case of Gulf Coast Waste Disposal Authority, assets exceeded liabilities by \$93,358,500 at the close of the 2007 fiscal year.

A large portion of the Authority's net assets (44.7%) reflect investment 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.

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.



**GULF COAST WASTE DISPOSAL AUTHORITY**  
**MANAGMENTS' DISCUSSION AND ANALYSIS**  
December 31, 2007

**Gulf Coast Waste Disposal Authority**

***Net Assets***

***December 31, 2007***

***With comparative totals for December 31, 2006***

|   | <b>2007</b>          | <b>2006</b>          |
|---|----------------------|----------------------|
| Current and other assets                        | \$ 62,736,426        | \$ 60,997,902        |
| Capital assets                                  | 89,327,648           | 79,564,982           |
| Total assets                                    | <u>152,064,074</u>   | <u>140,562,884</u>   |
| Long term liabilities                           | 43,916,208           | 52,152,641           |
| Other liabilities                               | 14,789,379           | 7,515,683            |
| Total liabilities                               | <u>58,705,587</u>    | <u>59,668,324</u>    |
| Net assets:                                     |                      |                      |
| Invested in capital assets, net of related debt | 41,776,131           | 40,832,148           |
| Restricted                                      | 4,780,166            | 4,168,561            |
| Unrestricted                                    | 46,802,190           | 35,893,851           |
| Total net assets                                | <u>\$ 93,358,487</u> | <u>\$ 80,894,560</u> |

An additional portion of the Authority's net assets (5.1%) represent resources that are subject to restrictions for debt service and a contingency reserve. The remaining balance of *unrestricted net assets* (\$46,802,200) may be used to meet the Authority's ongoing liabilities.

The 12.3% increase in capital assets is attributed to the over \$10 million dollars spent in 2007 at the 40 Acre Facility on construction of the Oxygen Activated System to meet air compliance permit requirements. The 3% decrease in total liabilities resulted from the over \$3.2 million in total principal payments made on the outstanding debt. The payments were \$2,655,000 on the Bayport Bonds Series 2002 and 2004 and \$546,000 on the note within the General Services Division. Total liabilities at December 31, 2007 also included over \$2.4 million of payables to one vendor for the construction work being done at the 40 Acre Facility.

As of December 31, 2007, the Authority reported a net asset balance of \$46,802,200 in unrestricted net assets and a total net asset balance of \$93,358,500. Total net assets increased \$12,463,900 over 2006. The total increase is attributable to the change in net assets. The components of the changes in the net assets are found in the following table:

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**MANAGMENTS' DISCUSSION AND ANALYSIS**  
December 31, 2007

**Gulf Coast Waste Disposal Authority**  
***Changes in Net Assets***  
***Year Ended December 31, 2007***  
***With comparative totals for Year Ended December 31, 2006***

|                                    | <u>2007</u>          | <u>2006</u>          |
|------------------------------------|----------------------|----------------------|
| Revenues:                          |                      |                      |
| Program Revenues:                  |                      |                      |
| Charges for services               | \$ 62,218,710        | \$ 55,876,765        |
| Total program revenues             | 62,218,710           | 55,876,765           |
| General revenues:                  |                      |                      |
| Unrestricted investment earnings   | 3,548,475            | 2,053,925            |
| Capital contributions              | -                    | 3,000,000            |
| Total revenues                     | 65,767,185           | 60,930,690           |
| Expenses:                          |                      |                      |
| General services                   | 2,478,603            | 5,061,636            |
| Wastewater treatment               | 49,536,590           | 50,184,882           |
| Solid waste disposal               | 1,288,065            | 1,368,584            |
| Total expenses                     | 53,303,258           | 56,615,102           |
| Change in net assets               | 12,463,927           | 4,315,588            |
| Net assets, Beginning, as restated | 80,894,560           | 76,578,972           |
| Net assets, Ending                 | <u>\$ 93,358,487</u> | <u>\$ 80,894,560</u> |

Effective January 1, 2007, the Authority reclassified all of its operations to business type activities. For more information on the conversion see Note J of the Other Information Section of the notes to the financial statements.

Charges for services increased \$6,341,900 in 2007. The major portion of this increase was attributed to the \$8,640,700 additional amount the Authority received in 2007 from Union Carbide Corporation to pay for the construction of the Oxygen Activated System at the 40 Acre Facility. Additionally charges for services increase \$2,307,800 due to the Board Approved increases in rates at the Bayport Facility effective January 1, 2007. The decrease in total expenses is partially due to a lower negotiated rate per kilowatt hour. The new rates resulted in an over \$1.1 million decrease in electricity during 2007. The remaining decrease in total expenses was the result of lower operating costs.

The capital contributions during the year ended December 31, 2006 were the proceeds from the promissory note used to finance the construction at the Washburn Tunnel Facility. Investment earnings increased, by \$1,514,100. Consistent with GASB Statement 31, the Authority records investments inclusive of holding gains and losses even though it has the ability and intent to hold to maturity. As a consequence, investment earnings have been subject to significant fluctuations from year to year. The Federal Reserve rate changes in 2007 have impacted the fixed income security market values. Inclusive of mark to market adjustments at year end, investment earnings averaged 4.78% for the year ended December 31, 2007 as compared to 4.32% for the previous year.

**Financial Analysis of the Authority's Funds.** As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**MANAGMENTS' DISCUSSION AND ANALYSIS**  
December 31, 2007

---

**Ending Net Assets**




---

At the end of the year, the Authority had \$41,776,100 in net assets restricted for investment in capital assets net of related debt, \$4,780,200 in net assets restricted for debt service and contingency reserve and unrestricted net assets at the end of the year of \$46,802,200. Factors concerning the finances of proprietary funds have previously been addressed.

**Capital Asset and Debt Administration**

**Capital assets.** The Authority's investment in capital assets as of December 31, 2007, was \$89,327,600 (net of accumulated depreciation). This investment in capital assets includes land, roads, buildings, machinery and equipment. The total increase in the Authority's investment in capital assets for the current fiscal year was 12.3%.

**Gulf Coast Waste Disposal Authority**  
**Capital Assets (net of depreciation)**  
**December 31, 2007**  
*With comparative totals for December 31, 2006*

|  | 2007                 | 2006                 |
|--|----------------------|----------------------|
| Land                                     | \$ 5,074,930         | \$ 5,074,930         |
| Buildings                                | 509,256              | 444,290              |
| Waste treatment facilities and equipment | 67,657,555           | 56,388,071           |
| Administrative furniture and equipment   | 1,202,612            | 1,123,872            |
| Construction in progress                 | 14,883,295           | 16,533,819           |
| Total                                    | <u>\$ 89,327,648</u> | <u>\$ 79,564,982</u> |

Major capital asset outlays during the fiscal year 2007 included the following:

- Continuation of Plant improvements at the Bayport Facility:

|                          |              |
|--------------------------|--------------|
| Emission Control Project | \$ 3,581,100 |
| Belt Press Expansion     | 1,802,800    |
- Near completion of Plant improvements at the Washburn Tunnel Facility:

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**MANAGMENTS' DISCUSSION AND ANALYSIS**  
December 31, 2007

Emission Control Project \$ 865,200

- Continuation of Plant improvements at the 40 Acre Facility:  
Emission Control Project \$10,653,300

The Bayport Facility provides wastewater treatment to industrial companies in the Bayport Industrial Complex.

The Washburn Tunnel Facility provides wastewater treatment to industrial companies along the Houston Ship Channel and to surrounding communities.

The 40 Acre Facility provides wastewater treatment to industrial companies in Texas City, Texas.

Additional information on the Authority's capital assets can be found in the Note E of the Detailed Notes on All Funds section in the notes to the financial statements of this report.

**Debt**

At the end of the current fiscal year, the Authority had \$43.1 million in bonds outstanding compared to \$45.8 million bonds last year – a decrease of 5.2% as shown below. Also at December 31, 2007, the Authority had \$2.2 million outstanding on a promissory note as shown below:

|                                   | December 31,         |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | 2007                 | 2006                 |
| Bayport Area System Revenue Bonds | \$ 43,140,000        | \$ 45,795,000        |
| Promissory Note                   | 2,238,730            | 2,783,300            |
|                                   | <u>\$ 45,378,730</u> | <u>\$ 48,578,300</u> |

In July 2006 the Authority negotiated a promissory note agreement with a financial institution for a \$3 million loan. Proceeds from the promissory note are being used to construct and equip air emissions control equipment at the Washburn Tunnel facility.

Additional information on the Authority's long-term debt can be found in Note F of the Detailed Notes on All Funds section in the notes to the financial statements of this report.

**Economic Factors**

Health care costs are adversely affecting companies across the nation. The Authority provides health care to active employees, qualifying dependents, and eligible retirees. The Authority self funds its employee health care up to specific and aggregate stop-loss limits. This expense has experienced a steady increase in costs above premiums and contributions each fiscal year from 1999 through 2002. Plan changes in 2003 included increases in co-pays and incentives for generic prescription drugs. Each year there has been a successive increase in premiums and contributions. At the end of 2007, net assets in the Employees' Health Care Fund were \$1,627,300. The Authority also provides an employee wellness program, inclusive of education, aimed at preventative health care, the benefits of an exercise regimen and a corporate membership rate for area gyms.

## **GULF COAST WASTE DISPOSAL AUTHORITY**

### **MANAGEMENTS' DISCUSSION AND ANALYSIS**

December 31, 2007

Counties within the Authority's primary service area (Harris, Galveston and Chambers Counties) have been designated to fall within a "Non-Attainment Zone" for the National Air Quality Standard for ground level ozone. The Bayport Facility and the Washburn Tunnel Facility met current permitting requirements for air emission control during 2007. The Bayport Facility construction was funded largely by proceeds from the Bayport 2004 Bond Series; facility upgrades included first-step emission controls, oxygen injection and cooling tower improvements. Improvements at the Washburn Tunnel Facility included conversion of a clarifier to a first-step emission control tank. The 40 Acre Facility participants are proceeding with the engineering and construction of an oxygen activated sludge system treatment unit. Construction should be completed by the end of 2008.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Gulf Coast Waste Disposal 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 Manager of Financial Services, 910 Bay Area Boulevard, Houston, Texas 77058.

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## **BASIC FINANCIAL STATEMENTS**

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**Gulf Coast Waste Disposal Authority**  
**Statement of Net Assets**  
**December 31, 2007**

|   | <u>Business Type<br/>Activities</u> |
|---|-------------------------------------|
| <b><u>Assets</u></b>                            |                                     |
| Current Assets                                  |                                     |
| Equity in pooled cash and investments           | \$ 39,324,870                       |
| Marketable securities                           | 15,800                              |
| Receivables                                     | 9,662,647                           |
| Prepays   | 210,225                             |
| Deferred charges                                | 836,967                             |
| Restricted assets                               |                                     |
| Cash and cash equivalents                       | 5,757,513                           |
| Marketable securities                           | 4,245,784                           |
| Accrued interest                                | 49,698                              |
| Noncurrent receivable                           |                                     |
| Receivable within one year                      | 569,049                             |
| Receivable in more than one year                | 2,063,873                           |
| Capital assets                                  |                                     |
| Land  | 5,074,930                           |
| Construction in progress                        | 14,883,295                          |
| Depreciable plant and equipment, net            | 69,369,423                          |
| <b>Total assets</b>                             | <b>\$ 152,064,074</b>               |
| <b><u>Liabilities</u></b>                       |                                     |
| Accounts payable                                | \$ 7,179,275                        |
| Wages payable                                   | 205,858                             |
| Retainage payable                               | 518,496                             |
| Accrued bond interest                           | 530,125                             |
| Unearned revenue                                | 94,593                              |
| Advance for working capital                     | 1,556,458                           |
| Noncurrent liabilities:                         |                                     |
| Due within one year                             | 4,704,574                           |
| Due in more than one year                       | 43,916,208                          |
| <b>Total liabilities</b>                        | <b>58,705,587</b>                   |
| <b><u>Net Assets</u></b>                        |                                     |
| Invested in capital assets, net of related debt | 41,776,131                          |
| Restricted                                      |                                     |
| Debt service                                    | 4,463,119                           |
| Contingency reserve                             | 317,047                             |
| Unrestricted                                    | 46,802,190                          |
| <b>Total net assets</b>                         | <b>\$ 93,358,487</b>                |

See Notes to Financial Statements

**Gulf Coast Waste Disposal Authority**  
**Statement of Activities**  
**Year ended December 31, 2007**

| <u>Functions/Programs</u>                | <u>Expenses</u>      | <u>Program Revenues</u>     | <u>Business Type Activities</u>                         |
|--|----------------------|-----------------------------|---|
|  |                      | <u>Charges for Services</u> | <u>Net Revenue (Expenses) and Changes in Net Assets</u> |
| General services                         | \$ 2,478,603         | \$ 2,062,936                | \$ (415,667)  |
| Wastewater treatment                     | 49,536,590           | 59,195,871                  | 9,659,281   |
| Solid waste disposal                     | 1,288,065            | 959,903                     | (328,162)   |
| <b>Total primary government</b>          | <b>\$ 53,303,258</b> | <b>\$ 62,218,710</b>        | <b>\$ 8,915,452</b>                                     |
| Unrestricted investment earnings         |                      |                             | 3,548,475   |
| <b>Total revenues</b>                    |                      |                             | <b>3,548,475</b>  |
| <b>Change in net assets</b>              |                      |                             | <b>12,463,927</b>                                       |
| <b>Beginning Net Assets, as restated</b> |                      |                             | <b>80,894,560</b>                                       |
| <b>Ending Net assets</b>                 |                      |                             | <b>\$ 93,358,487</b>                                    |

**Gulf Coast Waste Disposal Authority**  
**Proprietary Funds**  
*Statement of Net Assets (Page 1 of 2)*  
*December 31, 2007*

|   | <u>Enterprise<br/>Fund</u>   | <u>Internal<br/>Service<br/>Funds</u> |
|---|------------------------------|---------------------------------------|
| <b><u>Assets</u></b>                                      |                              |                                       |
| Current Assets  |                              |                                       |
| Equity in pooled cash and investments                     | \$ 33,310,574                | \$ 6,014,296                          |
| Marketable securities                                     | 15,800                       | -                                     |
| Receivables   | 9,165,320                    | 497,327                               |
| Due from other funds                                      | 254,144                      | -                                     |
| Current portion of note receivable                        | 569,049                      | -                                     |
| Prepays   | 174,142                      | 36,083                                |
| Total current assets                                      | <u>43,489,029</u>            | <u>6,547,706</u>                      |
| Noncurrent Assets   |                              |                                       |
| Restricted assets   |                              |                                       |
| Cash and cash equivalents                                 | 5,757,513                    | -                                     |
| Marketable securities                                     | 4,245,784                    | -                                     |
| Accrued interest  | 49,698                       | -                                     |
| Deferred charges  | 836,967                      | -                                     |
| Notes receivable  | 2,063,873                    | -                                     |
| Capital assets  |                              |                                       |
| Land  | 5,074,930                    | -                                     |
| Construction in progress                                  | 14,807,378                   | 75,917                                |
| Plant and equipment                                       | 182,210,238                  | 3,374,074                             |
| Less accumulated depreciation                             | <u>(113,860,517)</u>         | <u>(2,354,372)</u>                    |
| Total capital assets (net of<br>accumulated depreciation) | <u>88,232,029</u>            | <u>1,095,619</u>                      |
| Total noncurrent assets                                   | <u>101,185,864</u>           | <u>1,095,619</u>                      |
| <b>Total assets</b>                                       | <u><u>\$ 144,674,893</u></u> | <u><u>\$ 7,643,325</u></u>            |

See Notes to Financial Statements

**Gulf Coast Waste Disposal Authority**  
**Proprietary Funds**  
*Statement of Net Assets (Page 2 of 2)*  
*December 31, 2007*

|   | <b>Enterprise<br/>Fund</b> | <b>Internal<br/>Service<br/>Funds</b> |
|---|----------------------------|---------------------------------------|
| <b><u>Liabilities</u></b>   |                            |                                       |
| Current liabilities   |                            |                                       |
| Accounts payable  | \$ 6,774,461               | \$ 404,814                            |
| Wages payable   | 205,858                    | -                                     |
| Retainage payable   | 518,496                    | -                                     |
| Due to other funds  | -                          | 254,144                               |
| Accrued bond interest   | 530,125                    | -                                     |
| Current portion of accrued compensated absences   | -                          | 1,199,480                             |
| Current portion of loan payable   | 576,620                    | -                                     |
| Current portion of revenue bonds payable  | 2,928,474                  | -                                     |
| Total current liabilities   | <u>11,534,034</u>          | <u>1,858,438</u>                      |
| Noncurrent liabilities  |                            |                                       |
| Accrued compensated absences  | -                          | 836,283                               |
| Loan payable  | 1,662,110                  | -                                     |
| Deferred revenue  | 94,593                     | -                                     |
| Revenue bonds payable (net of unamortized<br>discount and deferred amount on refunding)                       | 41,417,815                 | -                                     |
| Advance for working capital   | 1,556,458                  | -                                     |
| Total noncurrent liabilities  | <u>44,730,976</u>          | <u>836,283</u>                        |
| <b>Total liabilities</b>  | <u>56,265,010</u>          | <u>2,694,721</u>                      |
| <b><u>Net Assets</u></b>  |                            |                                       |
| Invested in capital assets, net of related debt   | 40,680,512                 | 1,095,619                             |
| Restricted  |                            |                                       |
| Debt service  | 4,463,119                  | -                                     |
| Contingency reserve   | 317,047                    | -                                     |
| Unrestricted  | 42,949,205                 | 3,852,985                             |
| <b>Total net assets</b>   | <u>88,409,883</u>          | <u>\$ 4,948,604</u>                   |
| Adjustment to reflect the consolidation of internal service<br>fund activities related to the enterprise fund | <u>4,948,604</u>           |                                       |
| <b>Net assets of business-type activities</b>   | <u>\$ 93,358,487</u>       |                                       |

**Gulf Coast Waste Disposal Authority**  
**Proprietary Funds**  
*Statement of Revenue, Expenses, and Changes in Fund Net Assets*  
*Year ended December 31, 2007*

|   | <b>Enterprise<br/>Fund</b> | <b>Internal<br/>Service<br/>Funds</b> |
|---|----------------------------|---------------------------------------|
| <b><u>Operating revenues</u></b>  |                            |                                       |
| Charges for sales and services  |                            |                                       |
| Services to industries  | \$ 48,098,795              | \$ -                                  |
| Services to municipalities  | 2,166,721                  | -                                     |
| Intergovernmental   | -                          | 2,647,509                             |
| Other   | 10,628,131                 | 1,325,063                             |
| <b>Total operating revenues</b>   | <b>60,893,647</b>          | <b>3,972,572</b>                      |
| <b><u>Operating expenses</u></b>  |                            |                                       |
| Costs of sales and services   | 40,195,292                 | 2,882,656                             |
| Administration  | 2,563,430                  | 534,971                               |
| Depreciation  | 7,176,412                  | 247,617                               |
| <b>Total operating expenses</b>   | <b>49,935,134</b>          | <b>3,665,244</b>                      |
| <b>Operating income</b>   | <b>10,958,513</b>          | <b>307,328</b>                        |
| <b><u>Nonoperating revenues (expenses)</u></b>  |                            |                                       |
| Investment income   | 3,125,688                  | 422,787                               |
| Interest expense  | (2,366,136)                | (15,719)                              |
| Bond insurance costs  | 40,267                     | -                                     |
| Loss on disposal of capital assets  | (8,801)                    | -                                     |
| <b>Total nonoperating revenues</b>  | <b>791,018</b>             | <b>407,068</b>                        |
| <b>Changes in net assets</b>  | <b>11,749,531</b>          | <b>714,396</b>                        |
| <b>Beginning net assets, as restated</b>  | <b>76,660,352</b>          | <b>4,234,208</b>                      |
| <b>Ending net assets</b>  | <b>\$ 88,409,883</b>       | <b>\$ 4,948,604</b>                   |
| Change in net assets of proprietary fund  | 11,749,531                 |                                       |
| Adjustment to reflect the consolidation of internal service fund<br>activities related to the enterprise fund | 714,396                    |                                       |
| <b>Change in nets assets of business-type activities</b>  | <b>\$ 12,463,927</b>       |                                       |

See Notes to Financial Statements

**Gulf Coast Waste Disposal Authority**  
**Proprietary Funds**

*Statement of Cash Flows (page 1 of 2)*

*Year ended December 31, 2007*

|   | <b>Enterprise<br/>Fund</b> | <b>Internal<br/>Service<br/>Funds</b> |
|---|----------------------------|---------------------------------------|
| <b>Cash Flows from Operating Activities</b>                                     |                            |                                       |
| Receipts from customers and users   | \$ 59,759,881              | \$ 3,685,052                          |
| Payments to suppliers   | (29,861,668)               | (3,278,350)                           |
| Payments to employees   | (10,304,355)               | -                                     |
| <b>Net cash provided by operating activities</b>                                | <u>19,593,858</u>          | <u>406,702</u>                        |
| <b>Cash Flows from Noncapital<br/>Financing Activities</b>                      |                            |                                       |
| Principal paid on loan payable  | (544,599)                  | -                                     |
| Interest paid on loan payable   | (149,876)                  | -                                     |
| Issuance of promissory note   | (365,223)                  | -                                     |
| Interest received on note receivable  | 219,321                    | -                                     |
| Principal received on note receivable   | 525,438                    | -                                     |
| <b>Net cash provided (used) by noncapital<br/>financing activities</b>          | <u>(314,939)</u>           | <u>-</u>                              |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b>             |                            |                                       |
| Acquisition and construction of capital assets                                  | (16,675,880)               | (515,896)                             |
| Proceeds from sale of capital assets  | -                          | 33,191                                |
| Principal paid on capital debt  | (2,655,000)                | -                                     |
| Interest paid on capital debt   | (2,245,450)                | -                                     |
| <b>Net cash provided (used) by capital and<br/>related financing activities</b> | <u>(21,576,330)</u>        | <u>(482,705)</u>                      |
| <b>Cash Flows from Investing Activities</b>                                     |                            |                                       |
| Purchase of investments   | (1,500,000)                | -                                     |
| Proceeds from maturity of investments   | 1,000,000                  | -                                     |
| Interest received   | 2,807,527                  | 386,342                               |
| <b>Net cash provided by investing activities</b>                                | <u>2,307,527</u>           | <u>386,342</u>                        |
| <b>Net increase in cash and cash<br/>equivalents</b>                            | <b>10,116</b>              | <b>310,339</b>                        |

See Notes to Financial Statements

# **Gulf Coast Waste Disposal Authority**

## **Proprietary Funds**

### *Statement of Cash Flows (page 2 of 2)*

*Year ended December 31, 2007*

|  | <b>Enterprise<br/>Fund</b> | <b>Internal<br/>Service<br/>Funds</b> |
|--|----------------------------|---------------------------------------|
| <b>Beginning cash and cash equivalents</b>   |                            |                                       |
| Unrestricted cash and cash equivalents   | \$ 28,318,120              | \$ 5,703,957                          |
| Restricted cash and cash equivalents   | 10,739,851                 | -                                     |
| Beginning cash and cash equivalents  | 39,057,971                 | 5,703,957                             |
| <b>Ending cash and cash equivalents</b>  | <u>\$ 39,068,087</u>       | <u>\$ 6,014,296</u>                   |
| <b>Ending cash and cash equivalents</b>  |                            |                                       |
| Unrestricted cash and cash equivalents   | \$ 33,310,574              | \$ 6,014,296                          |
| Restricted cash and cash equivalents   | 5,757,513                  | -                                     |
|  | <u>\$ 39,068,087</u>       | <u>\$ 6,014,296</u>                   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>    Provided (Used) by Operating Activities</b> |                            |                                       |
| Operating income   | \$ 10,958,513              | \$ 307,328                            |
| <b>Adjustment to reconcile operating income to net<br/>    cash provided (used) by operating activities</b>  |                            |                                       |
| Depreciation   | 7,176,412                  | 247,617                               |
| <b>Changes in Operating Assets and Liabilities</b>   |                            |                                       |
| <b>(Increase) Decrease in Assets</b>   |                            |                                       |
| Accounts Receivable  | (1,106,948)                | (287,520)                             |
| Due from other funds   | (254,141)                  | -                                     |
| Prepays  | (9,770)                    | (35,380)                              |
| <b>Increase (Decrease) Liabilities</b>   |                            |                                       |
| Wages Payable  | (66,185)                   | (170,090)                             |
| Accounts payable   | 3,250,245                  | 90,603                                |
| Retainage payable  | (308,362)                  | -                                     |
| Due to other funds   | -                          | 254,144                               |
| Deferred revenue   | (103,759)                  | -                                     |
| Working capital advances   | 57,853                     | -                                     |
| <b>Net cash provided by operating activities</b>   | <u>\$ 19,593,858</u>       | <u>\$ 406,702</u>                     |
| <b>Noncash Investing, Capital, and Financing Activities</b>  |                            |                                       |
| Gain on disposition of capital assets  | \$ 7,605                   | \$ 7,201                              |

See Notes to Financial Statements

**Gulf Coast Waste Disposal Authority**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*December 31, 2007*

|  | Private-purpose<br>Trust Fund                    | Agency<br>Fund                |
|--|--|-------------------------------|
|  | Campbell<br>Landfill<br>Closure/<br>Post-Closure | Texas<br>Conservation<br>Fund |
| <b>Assets</b>                                |  |                               |
| Current assets:                              |  |                               |
| Equity in pooled cash and investments        | \$ -   | \$ 46,298                     |
| Cash and cash equivalents                    | 214,050  | -                             |
| Marketable securities                        | 1,811,162  | -                             |
| Accrued receivables                          | 17,860   | -                             |
| <b>Total assets</b>                          | <b>2,043,072</b>                                 | <b>46,298</b>                 |
| <b>Liabilities</b>                           |  |                               |
| Current liabilities:                         |  |                               |
| Other liabilities                            | -  | 46,298                        |
| <b>Total liabilities</b>                     | <b>-</b>   | <b>46,298</b>                 |
| <b>Net Assets</b>                            |  |                               |
| Held in trust for closure/post-closure costs | \$ 2,043,072                                     | \$ -                          |



**Gulf Coast Waste Disposal Authority**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended December 31, 2007**

|   | <u>Private-purpose<br/>Trust Fund<br/>Campbell<br/>Landfill<br/>Closure/<br/>Post-Closure</u> |
|---|---|
| <b><u>Additions</u></b>                   |   |
| Investment earnings:                      |   |
| Interest                                  | \$ 78,163   |
| Net increase in fair value of investments | 90,590  |
| Gain on sale of investments               | 1,250   |
| Total investment earnings                 | <u>170,003</u>  |
| <b>Total additions</b>                    | <u>170,003</u>  |
| <b><u>Deductions</u></b>                  |   |
| Banking fees                              | <u>20,672</u>   |
| <b>Total deductions</b>                   | <u>20,672</u>   |
| <b>Change in net assets</b>               | 149,331   |
| Beginning net assets                      | <u>1,893,741</u>  |
| <b>Ending net assets</b>                  | <u><u>\$ 2,043,072</u></u>  |

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# GULF COAST WASTE DISPOSAL AUTHORITY

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December 31, 2007

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# **GULF COAST WASTE DISPOSAL AUTHORITY**

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# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Financial Reporting Entity

The Gulf Coast Waste Disposal Authority (the "Authority" or "GCWDA") is a separate self-supporting governmental unit, a political subdivision and special district of the state of Texas. GCWDA 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.

For financial reporting purposes, the Authority includes all funds and corporations for which the GCWDA 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, the Gulf Coast Industrial Development Authority ("GCIDA" or the "Corporation").

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 Waste Disposal Authority and the specific purposes for which the Corporation was created."

The Board of Directors of the Authority appoints the entire board and may, for cause or at will, remove the Corporation's three-member governing board. The Board of Directors appointed by the Authority has always been comprised entirely of the Authority's board members and management of the Authority. 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 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. Effective January 1, 2007 the GCIDA was converted to an enterprise fund along with the rest of the Authority's funds, since it is, in substance, the same as the primary government, despite being legally separate.

#### B. Government-wide and Fund Financial Statements

The statement of net assets and the statement of activities display information about the Authority as a whole. These statements include all funds of the reporting entity except the fiduciary funds. The statements present business-type activities. Internal service fund activity is eliminated to avoid duplicating revenues and expenses. Business-type activities are financed by fees charged to external parties for goods or services and reimbursement from participants.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

In the government-wide statement of net assets, 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.

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, are clearly identifiable to a particular function. Functional revenues include charges paid by the recipients for goods or services offered by the function. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

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

### ***Proprietary Funds***

The Authority reports the following proprietary funds:

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

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

### ***Fiduciary Division***

The Authority reports the following Fiduciary Funds which include a private purpose trust fund and agency funds:

**Campbell Bayou Landfill and Land Treatment Unit Closure/Post-Closure Fund.** This is a private-purpose trust division to account for the accumulation of amounts of money estimated to be the cost of closure and post-closure care of the Campbell Bayou Industrial Solid Waste Facility. In compliance with the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, the funds necessary to cover the closure and post-closure costs will be available as portions of the facility are closed from the funds accumulated in this fund and by direct payments from the participants. Direct payments are guaranteed through a letter of credit. Payments from the fund will be made by

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

the Executive Director of the Texas Commission on Environmental Quality (the "Commission") to reimburse the Authority for expenses incurred in performing closure and post-closure activities.

**Agency Funds.** This fund accounts for the contributions and disbursements of the Texas Conservation Association for the annual "Trash Bash" event.

### **C. Measurement Focus and Basis of Accounting**

#### ***Measurement focus***

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 in item (a) below. In the fund financial statements, "economic resources" measurement focus is also used as appropriate.

- a) The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- b) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

#### ***Basis of Accounting***

All proprietary funds and fiduciary funds, use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. 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, Odessa South Facility Division, and Washburn Tunnel Facility Division. For those divisions whose services are rendered on a fee basis, unbilled receivables consist primarily of charges for services performed in the current month which are invoiced the following month. The General Services Division, Bayport Area System Facility Division, Central Laboratory Division, Municipal Operations Division and Vince Bayou Division make up this category.

In the Employees' Health Care Internal Service Fund estimated loss from claims are recognized as expenses and liabilities are recognized when it is probable that the liabilities have been incurred but not reported as of the date of the financial statements and the amount of the losses can reasonably be estimated.

Deferred 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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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 deferred revenue is removed from the balance sheet 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.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow FASB standards issued on or before November 30, 1989. However, from that date forward, enterprise funds have the option of either choosing not to apply future FASB standards (including amendments of earlier pronouncements), or continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The Authority has chosen not to apply FASB standards issued after November 30, 1989.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **1. Cash, Cash Equivalents and Marketable Securities**

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.

During 1999 the Authority implemented GASB Statement No. 31, which establishes accounting and reporting standards for all of the Authority's investments. The Authority reports all investments at fair-value in accordance with Statement No. 31. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price. TexPool was created by the State of Texas and the Comptroller of Public Accounts of the State of Texas oversees the operation of the pool.

The Authority follows the practice of pooling cash and investments of all funds except for imprest funds, trustee funds, and some reserve funds restricted by bond indentures. An additional exception to pooled cash is the amount maintained in a separate bank account for the payment of claims for employees' health care. Each division's "Equity in pooled cash and investments" is included on the combined balance sheet.



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### **2. Short-Term 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 "due from other funds" and "due to other funds" on the balance sheet and statement of net assets.

### **3. Inventories**

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

### **4. Prepayments**

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

### **5. Capital Assets**

Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. Capital assets of fiduciary funds are reported only in the statement of fiduciary net assets.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation expense is reported in the government-wide statement of activities, the proprietary fund statement of revenues, expenses, and changes in fund net assets, and the statement of fiduciary net assets.

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 |

Capital assets are defined as items of property that:

1. Are tangible in nature;
2. Have an economic useful life longer than two years;
3. Maintain their identities throughout their useful lives, either as separate entities or as identifiable components, and;

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

4. Have an original cost of \$5,000 or more.

### **6. Other Assets**

In proprietary funds, bond discount and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method which approximates the interest method. In the Bayport Area System Division, unamortized bond discounts are presented as a reduction of the face amount of bonds payable, whereas unamortized issuance costs are recorded as deferred charges.

### **7. Capital Leases**

Assets acquired through capital leases are recorded in the appropriate divisions and depreciated according to the Authority's policy.

### **8. Long-Term Debt**

All long-term debt is shown in the long-term liabilities section of the respective statement of net assets.

### **9. Compensated Absences (Vacation and Leave)**

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 1987, 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 GCWDA 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.

### **10. Interfund Transactions**

Interfund transactions are treated as follows:

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.

# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

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.

### **11. Use of Estimates**

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

## **II. STEWARDSHIP AND ACCOUNTABILITY**

### **A. Financial Plan**

The estimates of revenues and expenses for the Authority's operating divisions are presented annually to GCWDA's Board of Directors for adoption. In the case of the Bayport Area Division, the Board establishes rates for the treatment of waste received from the Bayport customers. Although the Bayport Area Division budget is presented annually to all the participants in the Bayport complex 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, Odessa South 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 planning 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, 2007, the Authority had the following investments:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

| <u>Investment Type</u>              | <u>Fair Value</u>    | <u>Weighted Average<br/>Maturity (Years)</u> |
|-------------------------------------|----------------------|--|
| U.S. Agencies                       | \$ 36,813,230        | 2.51   |
| State Pool (TexPool)                | 6,690,594            | -  |
| Total fair value                    | <u>\$ 43,503,824</u> |  |
| Portfolio weighted average maturity |                      | 2.12   |

*Interest rate risk.* In accordance with its investment policy, the Authority manages its 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, 2007, the Authority's investment in TexPool was rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuer U.S. agency. 100 percent of the total dollar value of the Authority's U.S. Agencies are rated AAA.

*Concentration of credit risk.* The Authority's investment policy does not allow for an investment in any one issuer that is in excess of fifty percent of the portfolio's total investments.

*Custodial credit risk - deposits.* In the case of deposits, this is 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, 2007, market values of pledged securities were \$1,833,164 and bank balances were \$1,483,465.

*Custodial credit risk - investments.* For an investment, this is 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 are in the possession of an outside party. The Authority's investment policy requires that it will seek to safekeep 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.

### **B. Receivables**

Receivables at year end consist of the following:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

|   | Accounts<br>Receivable | Unbilled<br>Receivable | Accrued<br>Interest | Accrued<br>Revenue  | Total               |
|---|------------------------|------------------------|---------------------|---------------------|---------------------|
| Enterprise Fund   | \$ 3,597,026           | \$ 3,158,348           | \$ 113              | \$ 2,409,833        | \$ 9,165,320        |
| Internal Service Funds  | -                      | 497,327                | -                   | -                   | 497,327             |
| <b>Total receivables shown on<br/>statement of net assets</b> | <u>3,597,026</u>       | <u>3,655,675</u>       | <u>113</u>          | <u>2,409,833</u>    | <u>9,662,647</u>    |
| Enterprise Fund restricted assets                             | -                      | -                      | 49,698              | -                   | 49,698              |
| <b>Total receivables</b>                                      | <u>\$ 3,597,026</u>    | <u>\$ 3,655,675</u>    | <u>\$ 49,811</u>    | <u>\$ 2,409,833</u> | <u>\$ 9,712,345</u> |

During 2007, the Bayport Facility entered into a promissory note with one of its customers for its overdue balance. The note bears interest at 7.25% per annum on the outstanding balance. The note is repayable in installments equal to all revenues that the Bayport customer receives from one of its internal customers and an additional 50% of the revenues the Bayport customer receives over \$5,500 per month. Any unpaid principal balance as of April 30, 2017 will accrue interest as a rate of 10% per annum on all unpaid amounts. The remaining balance on the note as of December 31, 2007 was \$365,223.

In June 2006, the Washburn Tunnel Facility entered into a \$3,000,000 note agreement with the Industrial Advisory Council (IAC), participants of the Facility, to design and construct air pollution control improvements. The note bears interest at 8% per annum and is receivable in monthly installments. IAC's repayment schedule is as follows:

| Years        | Principal           | Interest          | Total               |
|--------------|---------------------|-------------------|---------------------|
| 2008         | \$ 569,049          | \$ 160,852        | \$ 729,901          |
| 2009         | 616,280             | 113,620           | 729,900             |
| 2010         | 667,430             | 62,469            | 729,899             |
| 2011         | 414,940             | 10,740            | 425,680             |
| <b>Total</b> | <u>\$ 2,267,699</u> | <u>\$ 347,681</u> | <u>\$ 2,615,380</u> |

The only receivables not expected to be collected in one year are the \$365,223 due from the Bayport customer and the long term portion of the receivable from the Washburn Tunnel participants of \$1,698,650.

### C. Due To/From Other Funds

The balance in this account represents short-term amounts owed to a particular fund by another fund for goods sold, services rendered or other current transactions. The composition of interfund balances as of year end is as follows:

| Receivable Fund | Payable Fund           | Amount            |
|-----------------|------------------------|-------------------|
| Enterprise Fund | Internal Service Funds | \$ 254,144        |
|                 | <b>Total</b>           | <u>\$ 254,144</u> |

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### **D. Restricted Assets**

#### *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, which was \$3,649,840 at year end. 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 of \$4,463,119 were invested in a money market fund, a U.S. government securities mutual fund, U.S. government securities, and accrued interest.

In addition, \$5,274,527 from unexpended bond proceeds is restricted for capital expenditures. This amount is a component of net assets invested in capital assets, net of related debt.

Restricted assets as reported on the Statement of Net Assets as of December 31, 2007 are as follows:

#### **Restricted Assets:**

|                           |    |                  |
|---------------------------|----|------------------|
| Cash and cash equivalents | \$ | 5,442,164        |
| Marketable securities     |    | 4,245,784        |
| Accrued interest          |    | 49,698           |
|                           | \$ | <u>9,737,646</u> |

#### **Restricted for:**

|                      |    |                  |
|----------------------|----|------------------|
| Debt Service         | \$ | 4,463,119        |
| Capital expenditures |    | 5,274,527        |
|                      | \$ | <u>9,737,646</u> |

#### *Blackhawk Regional Wastewater Treatment*

The Regional Waste Disposals 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 added to 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, 2007, the increase to the reserve was \$18,202 from the participants and \$19,266 in interest. The restricted assets as reported on the Statement of Net Assets as of December 31, 2007 were:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### Restricted Assets:

|                           |    |                |
|---------------------------|----|----------------|
| Cash and cash equivalents | \$ | 315,349        |
| Accounts receivable       |    | 1,698          |
|                           | \$ | <u>317,047</u> |

### Restricted for:

|                     |    |                |
|---------------------|----|----------------|
| Contingency reserve | \$ | 317,047        |
|                     | \$ | <u>317,047</u> |

## E. Capital Assets

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

|   | Beginning<br>Balance<br>As Restated* | Increases            | Reclassifications/<br>(Decreases) | Ending<br>Balance    |
|---|--------------------------------------|----------------------|-----------------------------------|----------------------|
| Capital assets not being depreciated:       |                                      |                      |                                   |                      |
| Land  | \$ 5,074,930                         | \$ -                 | \$ -                              | \$ 5,074,930         |
| Construction in progress                    | 16,533,819                           | 16,433,759           | (18,084,283)                      | 14,883,295           |
| Total capital assets not being depreciated  | <u>21,608,749</u>                    | <u>16,433,759</u>    | <u>(18,084,283)</u>               | <u>19,958,225</u>    |
| Capital assets being depreciated:           |                                      |                      |                                   |                      |
| Waste treatment facilities<br>and equipment | 162,423,467                          | 18,294,461           | (207,738)                         | 180,510,190          |
| Office buildings                            | 953,944                              | 2,685                | (32,857)                          | 923,772              |
| Administrative furniture and equipment      | 4,001,470                            | 547,566              | (398,686)                         | 4,150,350            |
| Total capital assets being depreciated      | <u>167,378,881</u>                   | <u>18,844,712</u>    | <u>(639,281)</u>                  | <u>185,584,312</u>   |
| Less accumulated depreciation for:          |                                      |                      |                                   |                      |
| Waste treatment facilities<br>and equipment | (106,035,396)                        | (7,043,684)          | 226,445                           | (112,852,635)        |
| Office buildings                            | (509,654)                            | (74,862)             | 170,000                           | (414,516)            |
| Administrative furniture and equipment      | (2,877,598)                          | (305,485)            | 235,345                           | (2,947,738)          |
| Total accumulated depreciation              | <u>(109,422,648)</u>                 | <u>(7,424,031)</u>   | <u>631,790</u>                    | <u>(116,214,889)</u> |
| Total capital assets being depreciated, net | <u>57,956,233</u>                    | <u>11,420,681</u>    | <u>(7,491)</u>                    | <u>69,369,423</u>    |
| <b>Capital Assets, net</b>                  | <u>\$ 79,564,982</u>                 | <u>\$ 27,854,440</u> | <u>\$ (18,091,774)</u>            | <u>\$ 89,327,648</u> |

\*Prior to restatement, \$25,606,724 of net capital assets were reported as net governmental activities capital assets.

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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### Business-type

|   |                     |
|---|---------------------|
| General services  | \$ 132,729          |
| Wastewater treatment  | 6,693,155           |
| Solid waste disposal  | 350,528             |
| In addition, depreciation on capital assets held by the Authority's internal service funds is charged to the various functions based on their usage of assets | 247,617             |
| Total depreciation expense  | <u>\$ 7,424,029</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 |
|-------------------------------------|----------------------|-----------------------|----------------------|
| T-316 Clarifier Suction Tube Repair | \$ 15,182            | \$ 12,314             | \$ 2,868             |
| 15KVA Breaker Repair                | 4,630                | -                     | 4,630                |
| Washburn Tunnel Control Room Repair | 7,964                | -                     | 7,964                |
| Exxon Mobile Pond Water Treatment   | 72,000               | 2,400                 | 69,600               |
| T-110 Air Control                   | 586,975              | 401,230               | 185,745              |
| Expansion of Landfarm               | 136,368              | -                     | 136,368              |
| Oxygen Activated Sludge System      | 37,351,558           | 26,934,781            | 10,416,777           |
| Digester T-700 Repair               | 84,570               | -                     | 84,570               |
| Expansion of Solid Waste Unit       | 57,267               | 54,665                | 2,602                |
| Belt Press Expansion                | 9,528,586            | 26,509                | 9,502,077            |
| First Step Emission Control         | 11,194,934           | 10,765,570            | 429,364              |
| <b>Totals</b>                       | <u>\$ 59,040,034</u> | <u>\$ 38,197,469</u>  | <u>\$ 20,842,565</u> |

### F. Changes in Long-Term Debt

#### *Promissory Note*

In July 2006, the Authority entered into a promissory note agreement in the amount of \$3,000,000 for the construction of air pollution control improvements at the Washburn Tunnel Facility. The note is payable in monthly installments of \$57,873 at a fixed interest rate of 5.91 percent. The note matures in July 2011. The outstanding note balance as of December 31, 2007 is \$2,238,730 and the annual principal and interest payments are as follows:



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

| <b>Years</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|--------------|---------------------|-------------------|---------------------|
| 2008         | \$ 576,620          | \$ 117,855        | \$ 694,475          |
| 2009         | 613,817             | 80,658            | 694,475             |
| 2010         | 650,568             | 43,907            | 694,475             |
| 2011         | 397,725             | 7,771             | 405,496             |
| <b>Total</b> | <b>\$ 2,238,730</b> | <b>\$ 250,191</b> | <b>\$ 2,488,921</b> |

### *Bayport Area System Revenue Bonds*

In 2004 certain outstanding bonds were defeased by providing resources to purchase securities that were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At year end, \$350,000 of 1996 Series Bonds outstanding is considered defeased.

In 2002, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At year end, \$19,240,000 of 1996 Series Bonds outstanding is considered defeased relating to the 2002 refunding.

The bonds outstanding at December 31, 2007, consist of Revenue Bonds, Series 2004, maturing on October 1, 2024, with interest rates of two percent to five percent and Refunding Bonds, Series 2002, maturing October 1, 2022, with an interest rate of five percent. The total bonds outstanding at December 31, 2007, are \$43,140,000 with unamortized bond issue costs of \$836,967.

The annual requirements to amortize all outstanding Bayport Area System Revenue Bonds as of year end, including interest payments, are as follows:

| <b>Years</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>         |
|--------------|----------------------|----------------------|----------------------|
| 2008         | \$ 2,780,000         | \$ 2,120,500         | \$ 4,900,500         |
| 2009         | 2,910,000            | 1,989,500            | 4,899,500            |
| 2010         | 3,050,000            | 1,851,176            | 4,901,176            |
| 2011         | 3,190,000            | 1,705,050            | 4,895,050            |
| 2012         | 2,120,000            | 1,549,950            | 3,669,950            |
| 2013-2017    | 11,340,000           | 6,109,350            | 17,449,350           |
| 2018-2022    | 12,870,000           | 3,212,750            | 16,082,750           |
| 2023-2024    | 4,880,000            | 369,000              | 5,249,000            |
| <b>Total</b> | <b>\$ 43,140,000</b> | <b>\$ 18,907,276</b> | <b>\$ 62,047,276</b> |

The bonds outstanding are special obligations of the Authority which are secured by a first lien on the "Pledged Revenues of the System," 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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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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, 2007, for the Series 2002 and 2004 Bonds is computed in the following schedule:

|   |                      |
|---|----------------------|
| Net income for the year ended December 31, 2007             | \$ 3,344,921         |
| Add-Items not includable in current expenses of the System: |                      |
| Bond interest expense                                       | 2,214,213            |
| Depreciation  | 4,271,287            |
| Management fee  | 600,000              |
| Pledged revenues  | <u>\$ 10,430,421</u> |
| Average annual debt service for bonds                       | <u>\$ 3,649,840</u>  |
| Debt service coverage                                       | 2.86                 |

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

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

### *Changes in long-term liabilities*

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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

|                                  | Beginning<br>Balance as<br>restated* | Additions           | Reductions                | Ending<br>Balance    | Due Within<br>One Year |
|----------------------------------|--------------------------------------|---------------------|---------------------------|----------------------|------------------------|
| <b>Business-type activities</b>  |                                      |                     |                           |                      |                        |
| Accrued compensated absences     | \$ 2,205,853                         | \$ 1,313,429        | \$ 1,483,519              | \$ 2,035,763         | \$ 1,199,480           |
| Promissory note                  | 2,783,328                            | -                   | 544,598                   | 2,238,730            | 576,620                |
| Bonds Payable:                   |                                      |                     |                           |                      |                        |
| Revenue bonds                    | 21,770,000                           | -                   | 390,000                   | 21,380,000           | 400,000                |
| Refunding bonds                  | 24,025,000                           | -                   | 2,265,000                 | 21,760,000           | 2,380,000              |
| Premium                          | 2,024,960                            | -                   | 287,108                   | 1,737,852            | 264,189                |
| Less deferred loss and discounts | (656,500)                            | -                   | 124,937                   | (531,563)            | (115,715)              |
| Long term liabilities            | <u>\$ 52,152,641</u>                 | <u>\$ 1,313,429</u> | <u>\$ 5,095,162</u>       | <u>\$ 48,620,782</u> | <u>\$ 4,704,574</u>    |
|                                  |                                      |                     | Due in more than one year | <u>\$ 43,916,208</u> |                        |

\*Prior to restatement \$4,989,181 of long term liabilities were reported as long term liabilities of governmental activities.

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

### **G. Private Activity, Contract and Industrial Development Revenue Bonds (Conduit Debt)**

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

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

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

GCIDA may issue bonds with the approval of the Authority for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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and the public welfare. These bonds, like the GCWDA private activity bonds, fall into the category of "conduit" debt obligations.

Although conduit debt obligations bear the name of GCWDA 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, GCWDA 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 | \$        | 1,358,750,000        |
| Municipal private activity bonds                     |           | 30,000               |
| Industrial development projects                      |           | 392,015,000          |
| <b>Total private activity bonds</b>                  | <b>\$</b> | <b>1,750,795,000</b> |

### **H. 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 ownership of other facilities financed from the proceeds of revenue bonds is conveyed to industry upon completion of construction or acquisition.

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 site.

## **IV. OTHER INFORMATION**

### **A. Defined Contribution Pension Plan**

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

At December 31, 2007 the total plan assets were \$32,946,143. These assets were allocated as follows:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

| <u>Asset Category</u>           | <u>Balance</u>       | <u>Percent of<br/>Assets</u> |
|---------------------------------|----------------------|------------------------------|
| Stable Value/Money Market Funds | \$ 14,813,670        | 45.0%                        |
| Bond Funds                      | 861,703              | 2.6%                         |
| Balances Funds                  | 5,527,788            | 16.8%                        |
| U.S. Stock Funds                | 8,925,007            | 27.1%                        |
| International Stock Funds       | 1,892,235            | 5.7%                         |
| Participant Loans               | 925,740              | 2.8%                         |
| Total Assets                    | <u>\$ 32,946,143</u> | <u>100.00%</u>               |

The Authority's contribution for the year end was \$899,373 which represents the required 10 percent of covered payroll. The employees' contribution was \$449,687, which equals the 5 percent of covered payroll. There were no additional voluntary contributions.

### ***Plan Provisions***

All employees whose customary employment is for at least twenty 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 GCWDA'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. 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.

The Authority has no responsibility or authorization to direct the investment of the Plan assets. Accordingly, the financial statements of the GCWDA Employees' Defined Contribution Pension Plan are not presented in this report.

### **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.

# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **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-l (a) (3) allows employees to accumulate assets on a pre-tax basis to pay for medical expenses upon separation of employment with the Authority. The plan is open to all employees whose regular work schedule is for at least twenty hours per week. ICMA RC is the independent administrator of the plan.

### **D. Post-Retirement Benefits**

In addition to the pension benefits, the Authority provides medical and life insurance coverage for qualified retirees in accordance with its personnel policy. In order to qualify for coverage as a "retiree" under the Authority's medical and life insurance plans an employee must accumulate a minimum number of years of service and chronological age in some combination that equate to "80" (Rule of 80). The Authority has no statutory or contractual obligation to continue to offer these post-retirement benefits. The cost for each employee is paid on a pay-as-you-go basis. Employees age 55 or older who are fully vested in the Authority's Employees' Defined Contribution Pension Plan and elect to retire and begin receipt of monthly pension payments are provided post-retirement benefits as described below. At year end, there were 31 active employees meeting these eligibility requirements who could elect to retire. During the year 37 qualified retirees received these benefits at a total cost to the Authority of \$202,134.

It is the Authority's current administrative policy to pay all but \$67.50 (which is paid by the retiree) of the monthly premium assessed by the Employees' Health Care Internal Service Fund (which approximates cost), for each pre-Medicare retiree under age 65. The Authority pays the cost of supplemental health insurance for each retiree eligible for Medicare. The Authority continues to provide dental coverage to the retiree after they have reached age 65. In addition, the Authority pays premiums for term life insurance for retirees. The amount of insurance coverage is 75 percent of the retired employee's base salary at termination, rounded to the next \$1,000, with a minimum coverage of \$20,000 and a maximum of \$50,000.

### **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 fiscal years.

The Authority self-insures a portion of its risk 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 following is a reconciliation of changes in the aggregate liabilities for claims for the current year:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

|                                    | December 31,<br>2007 | December 31,<br>2006 |
|------------------------------------|----------------------|----------------------|
| Claims payable, beginning of year  | \$ -                 | \$ -                 |
| Claims incurred                    | 47,500               | -                    |
| Claims paid                        | (47,500)             | -                    |
| <b>Claims payable, end of year</b> | <b>\$ -</b>          | <b>\$ -</b>          |

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 76 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. Employees' Health Care**

The Authority provides medical, dental, and vision benefits to its employees, their dependents who elect coverage, and eligible retirees (covered persons) through a partially self-insured GCWDA Employee Medical and Dental Benefit Plan (the "Plan"). This Plan is accounted for as in the Employees' Health Care Fund.

The Authority, as Plan Sponsor, has a signed Service Agreement with the Risk Pool, with claims to be processed by Joseph Ivy Specialty Services, Inc. (J.I. Specialty Services). The Risk Pool is the fiduciary agent of the Plan and J.I. Specialty Services is the third party administrator in connection with the investigation, processing, payment, and resolution of claims. J.I. Specialty Services also processes for the Authority excess losses or stop loss (specific or aggregate) insurance for claims. The specific excess loss insurance provides payment of all medical claims that exceed \$55,000. The aggregate stop loss insurance provides payment of all medical claims when the total of such claims exceeds \$1,600,000. There is no stop loss insurance coverage for dental or vision claims.

Contributions for the Health Care Fund were based on historical information from the Authority's prior plan and estimates of claims for the current year, the cost of insurance purchased, and

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

administrative fees. The present GCWDA personnel policy is for the employee to pay \$32.81 per pay period and the Authority to pay the remainder of the premium for employees, at least 50 percent of the cost of the dependent premium (the Authority currently pays approximately 84 percent) and 100 percent for an eligible retiree net of \$67.50 which is paid by the retiree monthly.

The Enterprise Fund makes monthly payments for the covered persons for Employee Health Care Fund. The retirees are invoiced monthly for the portion of the premium in excess of GCWDA's authorized costs.

The Authority estimates incurred but not reported (IBNR) claims at year-end through an analysis of historical trends.

Changes in claims liability are as follows:

| <b>Year Ended</b>   | <b>Beginning</b> | <b>Claims Made</b> |                    | <b>Ending</b>  |
|---------------------|------------------|--------------------|--------------------|----------------|
| <b>December 31,</b> | <b>Balance</b>   | <b>and Changes</b> | <b>Claims Paid</b> | <b>Balance</b> |
|                     |                  | <b>in IBNR</b>     |                    |                |
| 2006                | \$ 172,069       | \$ 2,186,431       | \$ 2,141,113       | \$ 217,387     |
| 2007                | \$ 217,387       | 2,516,254          | 2,404,744          | \$ 328,897     |

The Authority provides group life insurance to employees at a rate equal to four times their annual rate of basic earnings, rounded to the next higher multiple of \$1,000, subject to a maximum of \$500,000. The Authority also provides accidental death and dismemberment benefits equal to the amount of life insurance in force. Assurant Employee Benefits provides this coverage. Employees also have the option of purchasing dependent life insurance of \$10,000 for a spouse and \$2,000 for each child through Assurant Employee Benefits.

### **H. Contingencies**

#### ***Regulations***

The Authority is subject to both state and federal regulations, primarily provided 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.



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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Accordingly, a contingent liability exists for future closure of the Y-Cell and post-closure care costs for the entire landfill that will be incurred near or after the date of closure.

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

The estimated total cost of closure and post-closure for the current site at year end is \$10,715,468. Of this amount, \$6,184,606 and \$1,768,200 are for landfill cells and land farm, respectively, which are no longer accepting waste, and final closure has been certified. As of year end, the estimated utilized capacity of the Y-Cell is estimated at 59 percent, and \$2,762,662 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 \$1,629,971. The total accrued closure and post-closure care costs at year end for the entire site are \$9,582,777. The remaining accrued costs to be recognized are \$1,132,691. The Y Cell has a projected life of 10 years, of which three are remaining.

The Authority is responsible for the operations of the landfill and the site. The Authority has contracts with corporate participants for the construction of the facility and for its operation. In addition, the participants have acknowledged financial responsibility for the cost of closure and post-closure activities. Three of the participants have elected to demonstrate financial assurance through an irrevocable letter of credit. The other participant has funded its obligation by payment to the State-regulated Closure and Post-Closure Trust Fund. The account has a balance of \$2,043,072 at year end, which is reported in the Authority's private-purpose trust fund.

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.

### **I. Discontinued Operations**

GCWDA discontinued operations at the Alief facility in 1998. The Facility was decommissioned in 2000. In March, 2007 the land was deeded back to the City of Houston. Revenues from this facility for the years ended December 31, 2007 and 2006 were \$112 and \$2,757, respectively.

The following assets and liabilities related to this facility remain at year end:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

|                             | <b>Alief Regional<br/>Facility</b> |
|-----------------------------|------------------------------------|
| <b>ASSETS</b>               |                                    |
| Cash and cash equivalents   | \$ 17,724                          |
| <b>Total assets</b>         | <b>\$ 17,724</b>                   |
| <b>LIABILITIES</b>          |                                    |
| Accounts Payable            | \$ 587                             |
| Advance for working capital | 17,045                             |
|                             | <b>\$ 17,632</b>                   |
| <b>NET ASSETS</b>           |                                    |
| Unrestricted                | <b>\$ 92</b>                       |

### **J. Reclassification to Business-type Activities**

Management of the Authority has determined that the activities of the authority are more fairly presented as business-type activities. In prior years, certain facility operations and divisions of the Authority were reported as government-type activities. Effective January 1, 2007, all of the Authority's governmental funds were converted to an enterprise fund. The prior individual governmental and business-type enterprise funds became division of the enterprise fund. Additionally, the assets and liabilities of the capital projects funds were consolidated into the related operating divisions. The assets and liabilities of the Blackhawk project fund were consolidated with the Blackhawk Regional Facility Division and those of the 40 Acre Facility project capital project fund were consolidated with the 40 Acre Facility Division. The conversion also entailed reclassifying governmental capital assets and reporting the same within the division in which the assets serve. The beginning net assets as of December 31, 2006 were adjusted as follows:

#### Government Wide Net Assets

|                                    | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|------------------------------------|----------------------------|-----------------------------|----------------------|
| Net Assets, as previously reported | \$ 36,942,755              | \$ 43,951,805               | \$ 80,894,560        |
| Reclassification                   | (36,942,755)               | 36,942,755                  | -                    |
| Net Assets, as adjusted            | <b>\$ -</b>                | <b>\$ 80,894,560</b>        | <b>\$ 80,894,560</b> |

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### Governmental Funds

|                           | General      | Washburn<br>Tunnel<br>Facility | Non-Major<br>Funds | Total        |
|---------------------------|--------------|--------------------------------|--------------------|--------------|
| Fund Balance              |              |                                |                    |              |
| as previously reported    | \$ 9,457,015 | \$(1,610,224)                  | \$ 279,991         | \$ 8,126,782 |
| Reclassification          |              |                                |                    |              |
| to enterprise fund        | (9,457,015)  | 1,610,224                      | (279,991)          | (8,126,782)  |
| Fund Balance, as adjusted | <u>\$ -</u>  | <u>\$ -</u>                    | <u>\$ -</u>        | <u>\$ -</u>  |

### Enterprise Funds

|  | Enterprise Fund      |
|--|----------------------|
| Net assets, as previously reported                           | \$ 43,751,579        |
| Reclassification of governmental funds                       | 8,126,782            |
| Adjustment to record capital assets of<br>reclassifies funds | 24,781,991           |
| Net assets, as adjusted                                      | <u>\$ 76,660,352</u> |

## **COMBINING INFORMATION AND STATEMENTS**

# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **DIVISIONS**

**December 31, 2007**

### **General Services Division**

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

### **Alief Regional Wastewater Treatment Facility Division**

Operations at this division were discontinued during 1998. Current revenues are the division's share of interest on the pooled cash held as a reserve for the past participants.

### **Bayport Area System Facility Division**

This division accounts for the operations of wastewater treatment to industrial companies in the Bayport Industrial Complex. Revenues to operate this facility are provided by the industries, municipalities, or special districts in the area following 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 in Southeast Houston. Revenues to operate this facility are provided by the customers it serves through written contracts for pollution control services. These agreements provide for the participant's payment of costs on a monthly basis by reimbursement of actual costs. Part of the monthly invoices to the participants is for the contribution to the contingency reserve for capital equipment replacement pursuant to the facility contract.

### **Campbell Bayou Facility Division**

This division accounts for the operations of an industrial landfill and land treatment and disposal of hazardous and nonhazardous solid wastes. The division also accounts for closing operations and post-closure monitoring and maintenance of closed 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 industrial wastes, as defined.

### **Central Laboratory Division**

This division accounts for the activities of the Authority's Central Laboratory. This facility provided laboratory analysis for all of the Authority's treatment facilities and some industrial 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 done for industrial customers.

### **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 participant's 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 municipal wastewater treatment and some related billing services for municipalities and special districts within the Authority's primary three-county area. Written agreements with these entities provide for negotiated charges for these operations.

# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **DIVISIONS**

**December 31, 2007**

### **Odessa South 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, municipalities, or special districts with which the Authority has written contracts for pollution control services. The agreements provide for the participant's payment of costs through quarterly revenue billings to cover budgeted expenses followed by quarterly variance adjustments or invoices for reimbursement of actual costs.

### **Vince Bayou Division**

This division accounts for the revenues and expenses of the operations of a trucked in wastewater receiving and pumping station constructed on property leased from the City of Pasadena 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 in the Houston Ship Channel. Revenues to operate this facility are provided by the municipalities and industries with which the Authority has written contracts for pollution control services. The agreements provide for the participants' payment of costs through monthly revenue billings to cover budgeted expenses followed by monthly variance adjustments for reimbursement for actual costs.

### **Washburn Tunnel Pipeline Services Division**

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

### **Component Unit – GCIDA**

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

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**Gulf Coast Waste Disposal Authority**  
Combining Information By Division - Net Assets (page 1 of 2)  
Enterprise Fund  
December 31, 2007

|  | General<br>Services<br>Division | Alief Regional<br>Facility<br>Division | Bayport Area<br>System<br>Division |
|--|---------------------------------|--|------------------------------------|
| <b>Assets</b>  |                                 |  |                                    |
| Current Assets   |                                 |  |                                    |
| Equity in pooled cash and investments  | \$ 6,745,599                    | \$ 17,724                              | \$ 22,542,989                      |
| Marketable securities  | 15,800                          | -                                      | -                                  |
| Receivables  | 160,514                         | -                                      | 4,326,845                          |
| Due from other funds/divisions   | 324,777                         | -                                      | -                                  |
| Current portion of interdivision loan receivable                                     | 573,821                         | -                                      | -                                  |
| Current portion of note receivable   | -                               | -                                      | -                                  |
| Prepays  | 14,319                          | -                                      | 69,564                             |
| Total current assets   | 7,834,830                       | 17,724                                 | 26,939,398                         |
| Noncurrent Assets  |                                 |  |                                    |
| Restricted assets  |                                 |  |                                    |
| Cash and cash equivalents  | -                               | -                                      | 5,442,164                          |
| Marketable securities  | -                               | -                                      | 4,245,784                          |
| Accrued interest   | -                               | -                                      | 49,698                             |
| Deferred charges   | -                               | -                                      | 836,967                            |
| Interdivision loan receivable  | 1,973,650                       | -                                      | -                                  |
| Note receivable  | -                               | -                                      | 365,223                            |
| Capital assets   |                                 |  |                                    |
| Land   | 53,800                          | -                                      | 907,489                            |
| Construction in progress   | -                               | -                                      | 2,492,357                          |
| Plant and equipment  | 1,700,048                       | -                                      | 95,750,638                         |
| Less accumulated depreciation  | (1,019,071)                     | -                                      | (48,620,213)                       |
| Total capital assets (net of accumulated depreciation)                               | 734,777                         | -                                      | 50,530,271                         |
| Total noncurrent assets  | 2,708,427                       | -                                      | 61,470,107                         |
| <b>Total assets</b>  | <b>\$ 10,543,257</b>            | <b>\$ 17,724</b>                       | <b>\$ 88,409,505</b>               |
| <b>Liabilities</b>   |                                 |  |                                    |
| Current liabilities  |                                 |  |                                    |
| Accounts payable   | 363,426                         | 587                                    | 1,741,633                          |
| Wages payable  | 205,858                         | -                                      | -                                  |
| Retainage payable  | -                               | -                                      | 518,496                            |
| Due to other funds/divisions   | -                               | -                                      | -                                  |
| Accrued bond interest  | -                               | -                                      | 530,125                            |
| Current portion of interdivision loan payable  | -                               | -                                      | -                                  |
| Current portion of loan payable  | 576,620                         | -                                      | -                                  |
| Current portion of revenue bonds payable   | -                               | -                                      | 2,928,474                          |
| Total current liabilities  | 1,145,904                       | 587                                    | 5,718,728                          |
| Noncurrent liabilities   |                                 |  |                                    |
| Interdivision loan payable   | -                               | -                                      | -                                  |
| Loan payable   | 1,662,110                       | -                                      | -                                  |
| Deferred revenue   | 33,766                          | -                                      | -                                  |
| Revenue bonds payable (net of unamortized discount and deferred amount on refunding) | -                               | -                                      | 41,417,815                         |
| Advance for working capital  | -                               | 17,045                                 | -                                  |
| Total noncurrent liabilities   | 1,695,876                       | 17,045                                 | 41,417,815                         |
| <b>Total liabilities</b>   | <b>2,841,780</b>                | <b>17,632</b>                          | <b>47,136,543</b>                  |
| <b>Net Assets</b>  |                                 |  |                                    |
| Invested in capital assets, net of related debt                                      | 73,477                          | -                                      | 6,183,982                          |
| Restricted for   |                                 |  |                                    |
| Debt service   | -                               | -                                      | 4,463,119                          |
| Contingency reserve  | -                               | -                                      | -                                  |
| Unrestricted   | 7,628,000                       | 92                                     | 30,625,861                         |
| <b>Total net assets</b>  | <b>\$ 7,701,477</b>             | <b>\$ 92</b>                           | <b>\$ 41,272,962</b>               |



| <b>Blackhawk<br/>Regional<br/>Facility<br/>Division</b> | <b><u>Campbell Bayou Facility Division</u></b>    |  | <b>Central<br/>Laboratory<br/>Division</b> | <b>40 Acre<br/>Facility<br/>Division</b> | <b>Municipal<br/>Operations<br/>Division</b> |
|---|---|--|--|--|--|
|   | <b><u>Industrial Solid<br/>Waste Facility</u></b> | <b><u>Closure/Post<br/>Closure</u></b> |  |  |  |
| \$ 264,911  | \$ 223,838  | \$ 71,550                              | \$ 708,917                                 | \$ 694,964                               | \$ 409,094                                   |
| -   | -   | -                                      | -  | -  | -  |
| 452,109   | 51,137  | -                                      | 3,110                                      | 2,170,901                                | 14,699                                       |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| 14,031  | 1,676   | 2,701                                  | 16,653                                     | 10,158                                   | 90   |
| <u>731,051</u>  | <u>276,651</u>                                    | <u>74,251</u>                          | <u>728,680</u>                             | <u>2,876,023</u>                         | <u>423,883</u>                               |
| 315,349   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| 201,000   | 671,966   | -                                      | -  | 1,427,965                                | -  |
| -   | 106,382   | -                                      | 15,905                                     | 12,179,065                               | -  |
| 15,435,634  | 5,664,162   | -                                      | 5,498,405                                  | 12,547,910                               | -  |
| <u>(11,123,943)</u>                                     | <u>(4,323,119)</u>                                | <u>-</u>                               | <u>(2,494,607)</u>                         | <u>(11,535,314)</u>                      | <u>-</u>                                     |
| 4,512,691   | 2,119,391   | -                                      | 3,019,703                                  | 14,619,626                               | -  |
| 4,828,040   | 2,119,391   | -                                      | 3,019,703                                  | 14,619,626                               | -  |
| <u>\$ 5,559,091</u>                                     | <u>\$ 2,396,042</u>                               | <u>\$ 74,251</u>                       | <u>\$ 3,748,383</u>                        | <u>\$ 17,495,649</u>                     | <u>\$ 423,883</u>                            |
| 181,741   | 101,821   | 73,157                                 | 96,334                                     | 3,113,625                                | 2,625  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | 246   | 983                                    | -  | 1,229                                    | -  |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | -  | -  |
| <u>181,741</u>  | <u>102,067</u>                                    | <u>74,140</u>                          | <u>96,334</u>                              | <u>3,114,854</u>                         | <u>2,625</u>                                 |
| -   | -   | -                                      | -  | -  | -  |
| -   | -   | -                                      | -  | 1  | -  |
| -   | -   | -                                      | -  | -  | -  |
| 546,100   | 251,018   | -                                      | -  | -  | -  |
| <u>546,100</u>  | <u>251,018</u>                                    | <u>-</u>                               | <u>-</u>                                   | <u>1</u>                                 | <u>-</u>                                     |
| <u>727,841</u>  | <u>353,085</u>                                    | <u>74,140</u>                          | <u>96,334</u>                              | <u>3,114,855</u>                         | <u>2,625</u>                                 |
| 4,512,691   | 2,119,391   | -                                      | 3,019,703                                  | 14,619,626                               | -  |
| -   | -   | -                                      | -  | -  | -  |
| 317,047   | -   | -                                      | -  | -  | -  |
| 1,512   | (76,434)  | 111                                    | 632,346                                    | (238,832)                                | 421,258                                      |
| <u>\$ 4,831,250</u>                                     | <u>\$ 2,042,957</u>                               | <u>\$ 111</u>                          | <u>\$ 3,652,049</u>                        | <u>\$ 14,380,794</u>                     | <u>\$ 421,258</u>                            |

**Gulf Coast Waste Disposal Authority**  
**Combining Information By Division - Net Assets (page 2 of 2)**  
**Enterprise Fund**  
**December 31, 2007**

|  | <b>Odessa South<br/>Regional<br/>Facility<br/>Division</b> | <b>Vince Bayou<br/>Facility<br/>Division</b> |
|--|--|--|
| <b><u>Assets</u></b>   |  |  |
| Current Assets   |  |  |
| Equity in pooled cash and investments  | \$ 931,126   | \$ 687,566                                   |
| Marketable securities  | -  | -  |
| Receivables  | 49,515   | 100,590                                      |
| Due from other funds/divisions   | -  | -  |
| Current portion of interdivision loan receivable                                     | -  | -  |
| Current portion of note receivable   | -  | -  |
| Prepays  | 12,511   | 1,587  |
| Total current assets   | 993,152  | 789,743                                      |
| Noncurrent Assets  |  |  |
| Restricted assets  |  |  |
| Cash and cash equivalents  | -  | -  |
| Marketable securities  | -  | -  |
| Accrued interest   | -  | -  |
| Deferred charges   | -  | -  |
| Interdivision loan receivable  | -  | -  |
| Note receivable  | -  | -  |
| Capital assets   |  |  |
| Land   | 76,161   | -  |
| Construction in progress   | 2,020  | -  |
| Plant and equipment  | 14,230,380   | 1,691,053                                    |
| Less accumulated depreciation  | (9,326,236)  | (769,354)                                    |
| Total capital assets (net of accumulated depreciation)                               | 4,982,325  | 921,699                                      |
| Total noncurrent assets  | 4,982,325  | 921,699                                      |
| <b>Total assets</b>  | <b>\$ 5,975,477</b>  | <b>\$ 1,711,442</b>                          |
| <b><u>Liabilities</u></b>  |  |  |
| Current liabilities  |  |  |
| Accounts payable   | 273,785  | 30,657                                       |
| Wages payable  | -  | -  |
| Retainage payable  | -  | -  |
| Due to other funds/divisions   | -  | -  |
| Accrued bond interest  | -  | -  |
| Current portion of interdivision loan payable  | 1,085  | -  |
| Current portion of loan payable  | -  | -  |
| Current portion of revenue bonds payable   | -  | -  |
| Total current liabilities  | 274,870  | 30,657                                       |
| Noncurrent liabilities   |  |  |
| Interdivision loan payable   | -  | -  |
| Loan payable   | -  | -  |
| Deferred revenue   | 1  | -  |
| Revenue bonds payable (net of unamortized discount and deferred amount on refunding) | -  | -  |
| Advance for working capital  | 722,995  | -  |
| Total noncurrent liabilities   | 722,996  | -  |
| <b>Total liabilities</b>   | <b>997,866</b>   | <b>30,657</b>                                |
| <b><u>Net Assets</u></b>   |  |  |
| Invested in capital assets, net of related debt                                      | 4,982,325  | 921,699                                      |
| Restricted for   |  |  |
| Debt service   | -  | -  |
| Contingency reserve  | -  | -  |
| Unrestricted   | (4,714)  | 759,086                                      |
| <b>Total net assets</b>  | <b>\$ 4,977,611</b>  | <b>\$ 1,680,785</b>                          |

| Washburn<br>Tunnel<br>Facility<br>Division | Washburn<br>Tunnel Pipeline<br>Facility<br>Division | Component<br>Unit<br>GCIDA<br>Division | Eliminations       | Total                 |
|--|---|--|--------------------|-----------------------|
| \$ -                                       | \$ -  | \$ 12,296                              | \$ -               | \$ 33,310,574         |
| -  | -   | -                                      | -                  | 15,800                |
| 1,835,900                                  | -   | -                                      | -                  | 9,165,320             |
| -  | -   | -                                      | (70,633)           | 254,144               |
| -  | -   | -                                      | (573,821)          | -                     |
| 569,049                                    | -   | -                                      | -                  | 569,049               |
| 30,742                                     | 110   | -                                      | -                  | 174,142               |
| <u>2,435,691</u>                           | <u>110</u>  | <u>12,296</u>                          | <u>(644,454)</u>   | <u>43,489,029</u>     |
| -  | -   | -                                      | -                  | 5,757,513             |
| -  | -   | -                                      | -                  | 4,245,784             |
| -  | -   | -                                      | -                  | 49,698                |
| -  | -   | -                                      | -                  | 836,967               |
| -  | -   | -                                      | (1,973,650)        | -                     |
| 1,698,650                                  | -   | -                                      | -                  | 2,063,873             |
| 1,736,549                                  | -   | -                                      | -                  | 5,074,930             |
| 11,649                                     | -   | -                                      | -                  | 14,807,378            |
| 29,594,068                                 | 97,940  | -                                      | -                  | 182,210,238           |
| <u>(24,616,686)</u>                        | <u>(31,974)</u>                                     | <u>-</u>                               | <u>-</u>           | <u>(113,860,517)</u>  |
| <u>6,725,580</u>                           | <u>65,966</u>                                       | <u>-</u>                               | <u>-</u>           | <u>88,232,029</u>     |
| <u>8,424,230</u>                           | <u>65,966</u>                                       | <u>-</u>                               | <u>(1,973,650)</u> | <u>101,185,864</u>    |
| <u>\$ 10,859,921</u>                       | <u>\$ 66,076</u>                                    | <u>12,296</u>                          | <u>(2,618,104)</u> | <u>\$ 144,674,893</u> |
| 795,070                                    | -   | -                                      | -                  | 6,774,461             |
| -  | -   | -                                      | -                  | 205,858               |
| -  | -   | -                                      | -                  | 518,496               |
| 70,633                                     | -   | -                                      | (70,633)           | -                     |
| -  | -   | -                                      | -                  | 530,125               |
| 570,278                                    | -   | -                                      | (573,821)          | -                     |
| -  | -   | -                                      | -                  | 576,620               |
| -  | -   | -                                      | -                  | 2,928,474             |
| <u>1,435,981</u>                           | <u>-</u>  | <u>-</u>                               | <u>(644,454)</u>   | <u>11,534,034</u>     |
| 1,973,650                                  | -   | -                                      | (1,973,650)        | -                     |
| -  | -   | -                                      | -                  | 1,662,110             |
| 60,825                                     | -   | -                                      | -                  | 94,593                |
| -  | -   | -                                      | -                  | 41,417,815            |
| 19,300                                     | -   | -                                      | -                  | 1,556,458             |
| <u>2,053,775</u>                           | <u>-</u>  | <u>-</u>                               | <u>(1,973,650)</u> | <u>44,730,976</u>     |
| <u>3,489,756</u>                           | <u>-</u>  | <u>-</u>                               | <u>(2,618,104)</u> | <u>56,265,010</u>     |
| 4,181,652                                  | 65,966  | -                                      | -                  | 40,680,512            |
| -  | -   | -                                      | -                  | 4,463,119             |
| -  | -   | -                                      | -                  | 317,047               |
| <u>3,188,513</u>                           | <u>110</u>  | <u>12,296</u>                          | <u>-</u>           | <u>42,949,205</u>     |
| <u>\$ 7,370,165</u>                        | <u>\$ 66,076</u>                                    | <u>\$ 12,296</u>                       | <u>\$ -</u>        | <u>\$ 88,409,883</u>  |

# **Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Change in Net Assets (page 1 of 2)*

*Enterprise Fund*

*Year ended December 31, 2007*

|  | <b>General<br/>Services<br/>Division</b> | <b>Alief Regional<br/>Facility<br/>Division</b> | <b>Bayport Area<br/>System<br/>Division</b> |
|--|--|---|---|
| <b><u>Operating revenues</u></b>               |  |   |   |
| Charges for sales and services                 |  |   |   |
| Services to industries                         | \$ 1,795,639                             | \$ -  | \$ 25,114,713                               |
| Services to municipalities                     | -  | 112   | 34,211                                      |
| Intergovernmental                              | 3,208,597                                | -   | -   |
| Other  | 6,773                                    | -   | 266,214                                     |
| <b>Total operating revenues</b>                | <b>5,011,009</b>                         | <b>112</b>                                      | <b>25,415,138</b>                           |
| <b><u>Operating expenses</u></b>               |  |   |   |
| Costs of sales and services                    | 4,715,423                                | 1,131   | 17,186,363                                  |
| Administration                                 | 509,743                                  | 2   | 615,416                                     |
| Depreciation                                   | 132,729                                  | -   | 4,271,287                                   |
| <b>Total operating expenses</b>                | <b>5,357,895</b>                         | <b>1,133</b>                                    | <b>22,073,066</b>                           |
| <b>Operating income (loss)</b>                 | <b>(346,886)</b>                         | <b>(1,021)</b>                                  | <b>3,342,072</b>                            |
| <b><u>Nonoperating revenues (expenses)</u></b> |  |   |   |
| Investment income                              | 659,731                                  | 1,113   | 2,176,795                                   |
| Interest expense                               | (149,876)                                | -   | (2,214,213)                                 |
| Bond insurance costs                           | -  | -   | 40,267                                      |
| Loss on disposal of capital assets             | -  | -   | -   |
| <b>Total nonoperating revenues (expenses)</b>  | <b>509,855</b>                           | <b>1,113</b>                                    | <b>2,849</b>                                |
| <b>Income before transfers</b>                 | <b>162,969</b>                           | <b>92</b>                                       | <b>3,344,921</b>                            |
| Transfers in                                   | -  | -   | -   |
| Transfers out                                  | -  | -   | -   |
| <b>Changes in net assets</b>                   | <b>162,969</b>                           | <b>92</b>                                       | <b>3,344,921</b>                            |
| Beginning net assets, as restated              | 7,538,508                                | -   | 37,928,041                                  |
| <b>Ending net assets</b>                       | <b>\$ 7,701,477</b>                      | <b>\$ 92</b>                                    | <b>\$ 41,272,962</b>                        |

| Blackhawk<br>Regional<br>Facility<br>Division | Campbell Bayou Facility Division   |                         | Central<br>Laboratory<br>Division | 40 Acre<br>Facility<br>Division | Municipal<br>Operations<br>Division |
|---|------------------------------------|-------------------------|-----------------------------------|---------------------------------|-------------------------------------|
|   | Industrial Solid<br>Waste Facility | Closure/Post<br>Closure |                                   |                                 |                                     |
| \$ -  | \$ 462,666                         | \$ 465,696              | \$ 15,285                         | \$ 4,128,604                    | \$ -                                |
| 2,038,434                                     | -                                  | -                       | 1,968                             | -                               | 81,996                              |
| -   | -                                  | -                       | 3,686,338                         | 45,000                          | 30,900                              |
| 18,620  | -                                  | -                       | -                                 | 10,215,118                      | -                                   |
| 2,057,054                                     | 462,666                            | 465,696                 | 3,703,591                         | 14,388,722                      | 112,896                             |
| 1,984,503                                     | 410,314                            | 383,646                 | 3,457,180                         | 3,515,287                       | 72,166                              |
| 70,790  | 43,261                             | 82,223                  | 52,889                            | 340,555                         | 1,063                               |
| 462,423                                       | 350,528                            | -                       | 307,256                           | 94,927                          | -                                   |
| 2,517,716                                     | 804,103                            | 465,869                 | 3,817,325                         | 3,950,769                       | 73,229                              |
| (460,662)                                     | (341,437)                          | (173)                   | (113,734)                         | 10,437,953                      | 39,667                              |
| 37,598  | 21,016                             | 827                     | 45,338                            | 59,460                          | 24,503                              |
| (354)   | (159)                              | (543)                   | (1,990)                           | (851)                           | -                                   |
| -   | -                                  | -                       | -                                 | -                               | -                                   |
| -   | -                                  | -                       | (7,605)                           | -                               | -                                   |
| 37,244  | 20,857                             | 284                     | 35,743                            | 58,609                          | 24,503                              |
| (423,418)                                     | (320,580)                          | 111                     | (77,991)                          | 10,496,562                      | 64,170                              |
| -   | -                                  | -                       | -                                 | -                               | -                                   |
| -   | -                                  | -                       | -                                 | -                               | -                                   |
| (423,418)                                     | (320,580)                          | 111                     | (77,991)                          | 10,496,562                      | 64,170                              |
| 5,254,668                                     | 2,363,537                          | -                       | 3,730,040                         | 3,884,232                       | 357,088                             |
| \$ 4,831,250                                  | \$ 2,042,957                       | \$ 111                  | \$ 3,652,049                      | \$ 14,380,794                   | \$ 421,258                          |

# **Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Change in Net Assets (page 2 of 2)*

*Enterprise Fund*

*Year ended December 31, 2007*

|  | <b>Odessa South<br/>Regional<br/>Facility<br/>Division</b> | <b>Vince Bayou<br/>Facility<br/>Division</b> | <b>Washburn<br/>Tunnel<br/>Facility<br/>Division</b> |
|--|--|--|--|
| <b><u>Operating revenues</u></b>               |  |  |  |
| Charges for sales and services                 |  |  |  |
| Services to industries                         | \$ 2,806,570   | \$ 605,121                                   | \$ 12,704,501  |
| Services to municipalities                     | -  | -  | -  |
| Intergovernmental                              | -  | -  | 62,353   |
| Other  | -  | 6,250  | 115,156  |
| <b>Total operating revenues</b>                | <b>2,806,570</b>   | <b>611,371</b>                               | <b>12,882,010</b>                                    |
| <b><u>Operating expenses</u></b>               |  |  |  |
| Costs of sales and services                    | 2,549,913  | 542,437                                      | 12,407,805   |
| Administration                                 | 309,337  | 30,415                                       | 507,481  |
| Depreciation                                   | 855,940  | 58,705                                       | 635,105  |
| <b>Total operating expenses</b>                | <b>3,715,190</b>   | <b>631,557</b>                               | <b>13,550,391</b>                                    |
| <b>Operating income (loss)</b>                 | <b>(908,620)</b>   | <b>(20,186)</b>                              | <b>(668,381)</b>                                     |
| <b><u>Nonoperating revenues (expenses)</u></b> |  |  |  |
| Investment income                              | 57,321   | 46,437                                       | 219,233  |
| Interest expense                               | (850)  | -  | (216,770)  |
| Bond insurance costs                           | -  | -  | -  |
| Loss on disposal of capital assets             | -  | (1,196)                                      | -  |
| <b>Total nonoperating revenues (expenses)</b>  | <b>56,471</b>  | <b>45,241</b>                                | <b>2,463</b>   |
| <b>Income before transfers</b>                 | <b>(852,149)</b>   | <b>25,055</b>                                | <b>(665,918)</b>                                     |
| Transfers in                                   | -  | -  | -  |
| Transfers out                                  | -  | (73,036)                                     | -  |
| <b>Changes in net assets</b>                   | <b>(852,149)</b>   | <b>(47,981)</b>                              | <b>(665,918)</b>                                     |
| Beginning net assets, as restated              | 5,829,760  | 1,728,766                                    | 8,036,083  |
| <b>Ending net assets</b>                       | <b>\$ 4,977,611</b>  | <b>\$ 1,680,785</b>                          | <b>\$ 7,370,165</b>                                  |

| Washburn<br>Tunnel Pipeline<br>Facility<br>Division | Component<br>Unit<br>GCIDA<br>Division | Eliminations | Total         |
|---|--|--------------|---------------|
| \$ -  | \$ -                                   | \$ -         | \$ 48,098,795 |
| -   | 10,000                                 | -            | 2,166,721     |
| -   | -                                      | (7,033,188)  | -             |
| -   | -                                      | -            | 10,628,131    |
| -   | 10,000                                 | (7,033,188)  | 60,893,647    |
| 2,312   | -                                      | (7,033,188)  | 40,195,292    |
| 230   | 25                                     | -            | 2,563,430     |
| 7,512   | -                                      | -            | 7,176,412     |
| 10,054  | 25                                     | (7,033,188)  | 49,935,134    |
| (10,054)  | 9,975                                  | -            | 10,958,513    |
| -   | 336                                    | (224,020)    | 3,125,688     |
| (4,550)   | -                                      | 224,020      | (2,366,136)   |
| -   | -                                      | -            | 40,267        |
| -   | -                                      | -            | (8,801)       |
| (4,550)   | 336                                    | -            | 791,018       |
| (14,604)  | 10,311                                 | -            | 11,749,531    |
| 73,036  | -                                      | (73,036)     | -             |
| -   | -                                      | 73,036       | -             |
| 58,432  | 10,311                                 | -            | 11,749,531    |
| 7,644   | 1,985                                  | -            | 76,660,352    |
| \$ 66,076   | \$ 12,296                              | \$ -         | \$ 88,409,883 |

# **Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Cash Flows (page 1 of 4)*

*Enterprise Fund*

*Year ended December 31, 2007*

|   | <b>General<br/>Services<br/>Division</b> | <b>Alief Regional<br/>Facility<br/>Division</b> | <b>Bayport Area<br/>System<br/>Division</b> |
|---|--|---|---|
| <b>Cash Flows from Operating Activities</b>                                     |  |   |   |
| Receipts from customers and user  | \$ 5,018,670                             | \$ 1,009  | \$ 25,680,328                               |
| Payments to suppliers   | (1,471,338)                              | (1,072)   | (17,088,958)                                |
| Payments to employees   | (3,624,243)                              | -   | (615,416)                                   |
| <b>Net cash provided (used) by operating activities</b>                         | <b>(76,911)</b>                          | <b>(63)</b>                                     | <b>7,975,954</b>                            |
| <b>Cash Flows form Noncapital<br/>Financing Activities</b>                      |  |   |   |
| Transfers from other division   | -  | -   | -   |
| Transfer to other division  | -  | -   | -   |
| Principal paid on loan payable  | (544,599)                                | -   | -   |
| Interest paid on loan payable   | (149,876)                                | -   | -   |
| Principal paid on interdivision loan  | -  | -   | -   |
| Interest paid on interdivision loan   | -  | -   | -   |
| Principal received on interdivision loan  | 758,941                                  | -   | -   |
| Interest received on interdivision loan   | 224,020                                  | -   | -   |
| Issuance of promissory note   | -  | -   | (365,223)                                   |
| Interest received on note receivable  | -  | -   | 14,859                                      |
| Principal received on note receivable   | -  | -   | -   |
| <b>Net cash provided (used) by noncapital<br/>financing activities</b>          | <b>288,486</b>                           | <b>-</b>  | <b>(350,364)</b>                            |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b>             |  |   |   |
| Acquisition and construction of capital assets                                  | (2,685)                                  | -   | (5,066,221)                                 |
| Principal paid on capital debt  | -  | -   | (2,655,000)                                 |
| Interest paid on capital debt   | -  | -   | (2,245,450)                                 |
| <b>Net cash provided (used) by capital and related<br/>financing activities</b> | <b>(2,685)</b>                           | <b>-</b>  | <b>(9,966,671)</b>                          |
| <b>Cash Flows from Investing Activities</b>                                     |  |   |   |
| Purchase of investments   | -  | -   | (1,500,000)                                 |
| Proceeds from maturity of investments   | -  | -   | 1,000,000                                   |
| Interest received   | 436,306                                  | 1,113   | 2,064,548                                   |
| <b>Net cash provided (used) by investing activities</b>                         | <b>436,306</b>                           | <b>1,113</b>                                    | <b>1,564,548</b>                            |
| <b>Net increase (decrease) in cash and<br/>cash equivalents</b>                 | <b>645,196</b>                           | <b>1,050</b>                                    | <b>(776,533)</b>                            |
| <b>Beginning cash and cash equivalents</b>                                      |  |   |   |
| Unrestricted cash and cash equivalents  | 6,100,403                                | 16,674  | 18,299,625                                  |
| Restricted cash and cash equivalents  | -  | -   | 10,462,061                                  |
| <b>Beginning cash and cash equivalents</b>                                      | <b>6,100,403</b>                         | <b>16,674</b>                                   | <b>28,761,686</b>                           |
| <b>Ending cash and cash equivalents</b>   | <b>\$ 6,745,599</b>                      | <b>\$ 17,724</b>                                | <b>\$ 27,985,153</b>                        |



| Blackhawk<br>Regional<br>Facility<br>Division            | Campbell Bayou Facility Division                      |   | Central<br>Laboratory<br>Division                          | 40 Acre<br>Facility<br>Division                              | Municipal<br>Operations<br>Division                 |
|--|---|---|--|--|---|
|  | Industrial Solid<br>Waste Facility                    | Closure/Post<br>Closure                               |  |  |   |
| \$ 1,990,343<br>(1,906,537)<br>(70,790)<br><u>13,016</u> | \$ 433,489<br>(145,420)<br>(234,227)<br><u>53,842</u> | \$ 467,990<br>(249,952)<br>(157,244)<br><u>60,794</u> | \$ 3,706,402<br>(3,072,471)<br>(461,307)<br><u>172,624</u> | \$ 12,215,897<br>(462,351)<br>(876,303)<br><u>10,877,243</u> | \$ 119,849<br>(48,981)<br>(23,925)<br><u>46,943</u> |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| (15,064)   | (1,287)   | (1,279)   | (102,540)  | (8,894)  | -   |
| (354)  | (159)   | (543)   | (1,990)  | (851)  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| <u>(15,418)</u>  | <u>(1,446)</u>  | <u>(1,822)</u>  | <u>(104,530)</u>   | <u>(9,745)</u>   | <u>-</u>  |
| -  | (106,383)   | -   | (166,721)  | (10,828,772)   | -   |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| <u>-</u>   | <u>(106,383)</u>                                      | <u>-</u>  | <u>(166,721)</u>   | <u>(10,828,772)</u>  | <u>-</u>  |
| -  | -   | -   | -  | -  | -   |
| -  | -   | -   | -  | -  | -   |
| 37,598   | 21,016  | 827   | 45,338   | 59,460   | 24,503  |
| <u>37,598</u>  | <u>21,016</u>   | <u>827</u>  | <u>45,338</u>  | <u>59,460</u>  | <u>24,503</u>                                       |
| 35,196   | (32,971)  | 59,799  | (53,289)   | 98,186   | 71,446  |
| 267,274  | 256,809   | 11,751  | 762,206  | 596,778  | 337,648   |
| 277,790  | -   | -   | -  | -  | -   |
| <u>545,064</u>   | <u>256,809</u>  | <u>11,751</u>   | <u>762,206</u>   | <u>596,778</u>   | <u>337,648</u>                                      |
| <u>\$ 580,260</u>  | <u>\$ 223,838</u>                                     | <u>\$ 71,550</u>                                      | <u>\$ 708,917</u>  | <u>\$ 694,964</u>  | <u>\$ 409,094</u>                                   |

**Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Cash Flows (page 2 of 4)*

*Enterprise Fund*

*Year ended December 31, 2007*

|  | <b>General<br/>Services<br/>Division</b> | <b>Alief Regional<br/>Facility<br/>Division</b> | <b>Bayport Area<br/>System<br/>Division</b> |
|--|--|---|---|
| <b>Ending cash and cash equivalents</b>  |  |   |   |
| Unrestricted cash and cash equivalents   | \$ 6,745,599                             | \$ 17,724                                       | \$ 22,542,989                               |
| Restricted cash and cash equivalents   | -  | -   | 5,442,164                                   |
|  | <u>\$ 6,745,599</u>                      | <u>\$ 17,724</u>                                | <u>\$ 27,985,153</u>                        |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</b> |  |   |   |
| Operating income (loss)  | \$ (346,886)                             | \$ (1,021)                                      | \$ 3,342,072                                |
| <b>Adjustment to reconcile operating income to net<br/>cash provided (used) by operating activities</b>  |  |   |   |
| Depreciation   | 132,729                                  | -   | 4,271,287                                   |
| <b>Changes in Operating Assets and Liabilities</b>   |  |   |   |
| <b>(Increase) Decrease in Assets</b>   |  |   |   |
| Accounts Receivable  | 19,470                                   | 897   | 265,190                                     |
| Due from other funds/divisions   | (319,731)                                | -   | -   |
| Prepays  | (4,680)                                  | 3   | (3,147)                                     |
| <b>Increase (Decrease) Liabilities</b>   |  |   |   |
| Wages Payable  | 158,951                                  | -   | (59,782)                                    |
| Accounts payable   | 295,043                                  | 538   | 468,696                                     |
| Retainage payable  | -  | -   | (308,362)                                   |
| Due to other funds/divisions   | -  | -   | -   |
| Deferred revenue   | (11,807)                                 | -   | -   |
| Working capital advances   | -  | (480)   | -   |
| <b>Net cash provided by operating activities</b>   | <u>\$ (76,911)</u>                       | <u>\$ (63)</u>                                  | <u>\$ 7,975,954</u>                         |
| <b>Noncash Investing, Capital, and Financing Activities</b>  |  |   |   |
| Gain (loss) on disposition of capital assets   | \$ -                                     | \$ -  | \$ -  |

| <b>Blackhawk<br/>Regional<br/>Facility<br/>Division</b> | <b>Campbell Bayou<br/>Industrial Solid<br/>Waste Facility<br/>Division</b> | <b>Campbell Bayou<br/>Closure/Post<br/>Closure<br/>Division</b> | <b>Central<br/>Laboratory<br/>Division</b> | <b>40 Acre<br/>Facility<br/>Division</b> | <b>Municipal<br/>Operations<br/>Division</b> |
|---|--|---|--|--|--|
| \$ 264,911  | \$ 223,838   | \$ 71,550   | \$ 708,917                                 | \$ 694,964                               | \$ 409,094                                   |
| 315,349   | -  | -   | -  | -  | -  |
| <u>\$ 580,260</u>                                       | <u>\$ 223,838</u>  | <u>\$ 71,550</u>  | <u>\$ 708,917</u>                          | <u>\$ 694,964</u>                        | <u>\$ 409,094</u>                            |
| \$ (460,662)  | \$ (341,437)   | \$ (173)  | \$ (113,734)                               | \$ 10,437,953                            | \$ 39,667                                    |
| 462,423   | 350,528  | -   | 307,256                                    | 94,927                                   | -  |
| (66,711)  | (29,177)   | 2,294   | 2,811                                      | (2,170,901)                              | 6,953  |
| -   | -  | -   | -  | -  | -  |
| 836   | (180)  | (464)   | (79)                                       | (39)                                     | 37   |
| (8,912)   | (24,009)   | (2,799)   | (40,180)                                   | (14,488)                                 | (633)  |
| 90,779  | 98,117   | 61,936  | 16,550                                     | 2,529,791                                | 919  |
| -   | -  | -   | -  | -  | -  |
| -   | -  | -   | -  | -  | -  |
| -   | -  | -   | -  | -  | -  |
| (4,737)   | -  | -   | -  | -  | -  |
| <u>\$ 13,016</u>  | <u>\$ 53,842</u>   | <u>\$ 60,794</u>  | <u>\$ 172,624</u>                          | <u>\$ 10,877,243</u>                     | <u>\$ 46,943</u>                             |
| \$ -  | \$ -   | \$ -  | \$ 7,605                                   | \$ -                                     | \$ -   |

**Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Cash Flows (page 3 of 4)*

*Enterprise Fund*

*Year ended December 31, 2007*

|   | <b>Odessa South<br/>Regional<br/>Facility<br/>Division</b> | <b>Vince Bayou<br/>Facility<br/>Division</b> | <b>Washburn<br/>Tunnel<br/>Facility<br/>Division</b> |
|---|--|--|--|
| <b>Cash Flows from Operating Activities</b>                                     |  |  |  |
| Receipts from customers and user  | \$ 2,862,313   | \$ 599,638                                   | \$ 13,604,308  |
| Payments to suppliers   | (1,780,479)  | (305,831)                                    | (10,275,000)   |
| Payments to employees   | (892,131)  | (253,314)                                    | (3,095,455)  |
| <b>Net cash provided (used) by operating activities</b>                         | <b>189,703</b>   | <b>40,493</b>                                | <b>233,853</b>                                       |
| <b>Cash Flows form Noncapital<br/>Financing Activities</b>                      |  |  |  |
| Transfers from other division   | -  | -  | -  |
| Transfer to other division  | -  | (73,036)                                     | -  |
| Principal paid on loan payable  | -  | -  | -  |
| Interest paid on loan payable   | -  | -  | -  |
| Principal paid on interdivision loan  | (11,261)   | -  | (553,738)  |
| Interest paid on interdivision loan   | (850)  | -  | (216,770)  |
| Principal received on interdivision loan  | -  | -  | -  |
| Interest received on interdivision loan   | -  | -  | -  |
| Issuance of promissory note   | -  | -  | -  |
| Interest received on note receivable  | -  | -  | 204,462  |
| Principal received on note receivable   | -  | -  | 525,438  |
| <b>Net cash provided (used) by noncapital<br/>financing activities</b>          | <b>(12,111)</b>  | <b>(73,036)</b>                              | <b>(40,608)</b>                                      |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b>             |  |  |  |
| Acquisition and construction of capital assets                                  | (8,506)  | -  | (496,592)  |
| Principal paid on capital debt  | -  | -  | -  |
| Interest paid on capital debt   | -  | -  | -  |
| <b>Net cash provided (used) by capital and related<br/>financing activities</b> | <b>(8,506)</b>   | <b>-</b>                                     | <b>(496,592)</b>                                     |
| <b>Cash Flows from Investing Activities</b>                                     |  |  |  |
| Purchase of investments   | -  | -  | -  |
| Proceeds from maturity of investments   | -  | -  | -  |
| Interest received   | 57,321   | 46,437                                       | 14,771   |
| <b>Net cash provided (used) by investing activities</b>                         | <b>57,321</b>  | <b>46,437</b>                                | <b>14,771</b>  |
| <b>Net increase (decrease) in cash and<br/>cash equivalents</b>                 | <b>226,407</b>   | <b>13,894</b>                                | <b>(288,576)</b>                                     |
| <b>Beginning cash and cash equivalents</b>                                      |  |  |  |
| Unrestricted cash and cash equivalents  | 704,719  | 673,672                                      | 288,576  |
| Restricted cash and cash equivalents  | -  | -  | -  |
| <b>Beginning cash and cash equivalents</b>                                      | <b>704,719</b>   | <b>673,672</b>                               | <b>288,576</b>                                       |
| <b>Ending cash and cash equivalents</b>   | <b>\$ 931,126</b>  | <b>\$ 687,566</b>                            | <b>\$ -</b>  |

| Washburn<br>Tunnel Pipeline<br>Facility<br>Division | Component<br>Unit<br>GCIDA<br>Division | Eliminations   | Total         |
|---|--|----------------|---------------|
| \$ 82,833   | \$ 10,000                              | \$ (7,033,188) | \$ 59,759,881 |
| (86,441)  | (25)                                   | 7,033,188      | (29,861,668)  |
| -   | -                                      | -              | (10,304,355)  |
| (3,608)   | 9,975                                  | -              | 19,593,858    |
| 73,036  | -                                      | (73,036)       | -             |
| -   | -                                      | 73,036         | -             |
| -   | -                                      | -              | (544,599)     |
| -   | -                                      | -              | (149,876)     |
| (64,878)  | -                                      | 758,941        | -             |
| (2,503)   | -                                      | 224,020        | -             |
| -   | -                                      | (758,941)      | -             |
| -   | -                                      | (224,020)      | -             |
| -   | -                                      | -              | (365,223)     |
| -   | -                                      | -              | 219,321       |
| -   | -                                      | -              | 525,438       |
| 5,655   | -                                      | -              | (314,939)     |
| -   | -                                      | -              | (16,675,880)  |
| -   | -                                      | -              | (2,655,000)   |
| -   | -                                      | -              | (2,245,450)   |
| -   | -                                      | -              | (21,576,330)  |
| -   | -                                      | -              | (1,500,000)   |
| -   | -                                      | -              | 1,000,000     |
| (2,047)   | 336                                    | -              | 2,807,527     |
| (2,047)   | 336                                    | -              | 2,307,527     |
| -   | 10,311                                 | -              | 10,116        |
| -   | 1,985                                  | -              | 28,318,120    |
| -   | -                                      | -              | 10,739,851    |
| -   | 1,985                                  | -              | 39,057,971    |
| \$ -  | \$ 12,296                              | \$ -           | \$ 39,068,087 |

# **Gulf Coast Waste Disposal Authority**

*Combining Information by Division - Cash Flows (page 4 of 4)*

*Enterprise Fund*

*Year ended December 31, 2007*

|  | <b>Odessa South<br/>Regional<br/>Facility<br/>Division</b> | <b>Vince Bayou<br/>Facility<br/>Division</b> | <b>Washburn<br/>Tunnel<br/>Facility<br/>Division</b> |
|--|--|--|--|
| <b>Ending cash and cash equivalents</b>  |  |  |  |
| Unrestricted cash and cash equivalents   | \$ 931,126   | \$ 687,566                                   | \$ -   |
| Restricted cash and cash equivalents   |  | -  | -  |
|  | <u>\$ 931,126</u>  | <u>\$ 687,566</u>                            | <u>\$ -</u>  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</b> |  |  |  |
| Operating income (loss)  | \$ (908,620)   | \$ (20,186)                                  | \$ (668,381)   |
| <b>Adjustment to reconcile operating income to net<br/>cash provided (used) by operating activities</b>  |  |  |  |
| Depreciation   | 855,940  | 58,705                                       | 635,105  |
| <b>Changes in Operating Assets and Liabilities</b>   |  |  |  |
| <b>(Increase) Decrease in Assets</b>   |  |  |  |
| Accounts Receivable  | 55,743   | (11,733)                                     | 733,071  |
| Due from other funds/divisions   | -  | -  | -  |
| Prepays  | (375)  | (183)  | (1,510)  |
| <b>Increase (Decrease) Liabilities</b>   |  |  |  |
| Wages Payable  | (14,959)   | (4,206)                                      | (55,168)   |
| Accounts payable   | 113,204  | 18,096                                       | (443,424)  |
| Retainage payable  | -  | -  | -  |
| Due to other funds/divisions   | -  | -  | 70,633   |
| Deferred revenue   | -  | -  | (10,773)   |
| Working capital advances   | 88,770   | -  | (25,700)   |
| <b>Net cash provided by operating activities</b>   | <u>\$ 189,703</u>  | <u>\$ 40,493</u>                             | <u>\$ 233,853</u>                                    |
| <b>Noncash Investing, Capital, and Financing Activities</b>  |  |  |  |
| Gain (loss) on disposition of capital assets   | \$ -   | \$ -   | \$ -   |

| Washburn<br>Tunnel Pipeline<br>Facility<br>Division | Component<br>Unit<br>GCIDA<br>Division | Eliminations | Total                |
|---|--|--------------|----------------------|
| \$ -  | \$ 12,296                              | \$ -         | \$ 33,310,574        |
| -   | -                                      | -            | 5,757,513            |
| <u>\$ -</u>   | <u>\$ 12,296</u>                       | <u>\$ -</u>  | <u>\$ 39,068,087</u> |
| \$ (10,054)   | \$ 9,975                               | \$ -         | \$ 10,958,513        |
| 7,512   | -                                      | -            | 7,176,412            |
| 85,145  | -                                      | -            | (1,106,948)          |
| -   | -                                      | 65,590       | (254,141)            |
| 11  | -                                      | -            | (9,770)              |
| -   | -                                      | -            | (66,185)             |
| -   | -                                      | -            | 3,250,245            |
| -   | -                                      | -            | (308,362)            |
| (5,043)   | -                                      | (65,590)     | -                    |
| (81,179)  | -                                      | -            | (103,759)            |
| -   | -                                      | -            | 57,853               |
| <u>\$ (3,608)</u>                                   | <u>\$ 9,975</u>                        | <u>\$ -</u>  | <u>\$ 19,593,858</u> |
| \$ -  | \$ -                                   | \$ -         | \$ 7,605             |

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**GULF COAST WASTE DISPOSAL AUTHORITY**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2007**

**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 GCWDA facilities.

**Employees' Health Care Fund**

This fund accounts for the revenues and expenses of a fund created in March 1993 to provide medical and associated benefits for the Authority's employees, participating dependents, and eligible retirees in accordance with the Gulf Coast Waste Disposal Authority Employee Medical and Dental Benefit Plan. The Enterprise Fund makes payments to the Health Care Fund based on historical estimates of the amounts needed to pay current year claims and to establish a reserve for future expenses.

**Equipment Services Fund**

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

**Pretreatment Legislation Fund**

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

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Net Assets**  
**December 31, 2007**

|   | <b>Casualty<br/>Insurance Risk<br/>Reserve</b> | <b>Compensated<br/>Absences</b> | <b>Data<br/>Processing</b> |
|---|--|---------------------------------|----------------------------|
| <b><u>Assets</u></b>                                      |  |                                 |                            |
| Current Assets  |  |                                 |                            |
| Equity in pooled cash and investments                     | \$ 320,648                                     | \$ 2,427,186                    | \$ -                       |
| Receivables   | -  | -                               | -                          |
| Prepays   | -  | -                               | 82                         |
| Total current assets                                      | <u>320,648</u>                                 | <u>2,427,186</u>                | <u>82</u>                  |
| Noncurrent Assets   |  |                                 |                            |
| Capital assets  |  |                                 |                            |
| Construction in progress                                  | -  | -                               | 75,917                     |
| Plant and equipment                                       | -  | -                               | 981,038                    |
| Less accumulated depreciation                             | -  | -                               | (606,141)                  |
| Total capital assets (net of<br>accumulated depreciation) | <u>-</u>                                       | <u>-</u>                        | <u>450,814</u>             |
| Total noncurrent assets                                   | <u>-</u>                                       | <u>-</u>                        | <u>450,814</u>             |
| <b>Total assets</b>                                       | <u><u>\$ 320,648</u></u>                       | <u><u>\$ 2,427,186</u></u>      | <u><u>\$ 450,896</u></u>   |
| <b><u>Liabilities</u></b>                                 |  |                                 |                            |
| Current liabilities                                       |  |                                 |                            |
| Accounts payable  | -  | -                               | 75,917                     |
| Due to other funds/divisions                              | -  | -                               | 254,144                    |
| Current portion of accrued compensated absences           | -  | 1,199,480                       | -                          |
| Total current liabilities                                 | <u>-</u>                                       | <u>1,199,480</u>                | <u>330,061</u>             |
| Noncurrent liabilities                                    |  |                                 |                            |
| Accrued compensated absences                              | -  | 836,283                         | -                          |
| Total noncurrent liabilities                              | <u>-</u>                                       | <u>836,283</u>                  | <u>-</u>                   |
| <b>Total liabilities</b>                                  | <u>-</u>                                       | <u>2,035,763</u>                | <u>330,061</u>             |
| <b><u>Net Assets</u></b>                                  |  |                                 |                            |
| Invested in capital assets, net of related debt           | -  | -                               | 450,814                    |
| Unrestricted  | <u>320,648</u>                                 | <u>391,423</u>                  | <u>(329,979)</u>           |
| <b>Total net assets</b>                                   | <u><u>\$ 320,648</u></u>                       | <u><u>\$ 391,423</u></u>        | <u><u>\$ 120,835</u></u>   |

| <u>Employees'<br/>Health Care</u> | <u>Equipment<br/>Service</u> | <u>Pretreatment<br/>Legislation</u> | <u>Total</u>        |
|-----------------------------------|------------------------------|-------------------------------------|---------------------|
| \$ 1,422,994                      | \$ 1,619,521                 | \$ 223,947                          | \$ 6,014,296        |
| 497,327                           | -                            | -                                   | 497,327             |
| 35,864                            | 137                          | -                                   | 36,083              |
| <u>1,956,185</u>                  | <u>1,619,658</u>             | <u>223,947</u>                      | <u>6,547,706</u>    |
| -                                 | -                            | -                                   | 75,917              |
| -                                 | 2,393,036                    | -                                   | 3,374,074           |
| -                                 | (1,748,231)                  | -                                   | (2,354,372)         |
| -                                 | 644,805                      | -                                   | 1,095,619           |
| -                                 | 644,805                      | -                                   | 1,095,619           |
| <u>\$ 1,956,185</u>               | <u>\$ 2,264,463</u>          | <u>\$ 223,947</u>                   | <u>\$ 7,643,325</u> |
| 328,897                           | -                            | -                                   | 404,814             |
| -                                 | -                            | -                                   | 254,144             |
| -                                 | -                            | -                                   | 1,199,480           |
| <u>328,897</u>                    | <u>-</u>                     | <u>-</u>                            | <u>1,858,438</u>    |
| -                                 | -                            | -                                   | 836,283             |
| -                                 | -                            | -                                   | 836,283             |
| <u>328,897</u>                    | <u>-</u>                     | <u>-</u>                            | <u>2,694,721</u>    |
| -                                 | 644,805                      | -                                   | 1,095,619           |
| <u>1,627,288</u>                  | <u>1,619,658</u>             | <u>223,947</u>                      | <u>3,852,985</u>    |
| <u>\$ 1,627,288</u>               | <u>\$ 2,264,463</u>          | <u>\$ 223,947</u>                   | <u>\$ 4,948,604</u> |

# **Gulf Coast Waste Disposal Authority**

## *Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets*

*Year ended December 31, 2007*

|  | <b>Casualty<br/>Insurance Risk<br/>Reserve</b> | <b>Compensated<br/>Absences</b> | <b>Data<br/>Processing</b> |
|--|--|---------------------------------|----------------------------|
| <b><u>Operating revenues</u></b>               |  |                                 |                            |
| Charges for sales and services                 |  |                                 |                            |
| Intergovernmental                              | \$ -   | \$ -                            | \$ 205,944                 |
| Other  | -  | -                               | -                          |
| <b>Total operating revenues</b>                | <b>-</b>                                       | <b>-</b>                        | <b>205,944</b>             |
| <b><u>Operating expenses</u></b>               |  |                                 |                            |
| Costs of sales and services                    | 11,578   | 99,326                          | 209,552                    |
| Administration                                 | 37,500   | -                               | 291                        |
| Depreciation                                   | -  | -                               | 133,385                    |
| <b>Total operating expenses</b>                | <b>49,078</b>                                  | <b>99,326</b>                   | <b>343,228</b>             |
| <b>Operating income (loss)</b>                 | <b>(49,078)</b>                                | <b>(99,326)</b>                 | <b>(137,284)</b>           |
| <b><u>Nonoperating revenues (expenses)</u></b> |  |                                 |                            |
| Investment income                              | 22,665   | 156,770                         | -                          |
| Interest expense                               | -  | -                               | (7,472)                    |
| <b>Total nonoperating revenues (expenses)</b>  | <b>22,665</b>                                  | <b>156,770</b>                  | <b>(7,472)</b>             |
| <b>Changes in net assets</b>                   | <b>(26,413)</b>                                | <b>57,444</b>                   | <b>(144,756)</b>           |
| Beginning net assets                           | 347,061  | 333,979                         | 265,591                    |
| <b>Ending net assets</b>                       | <b>\$ 320,648</b>                              | <b>\$ 391,423</b>               | <b>\$ 120,835</b>          |

| <u>Employees'<br/>Health Care</u> | <u>Equipment<br/>Service</u> | <u>Pretreatment<br/>Legislation</u> | <u>Total</u>        |
|-----------------------------------|------------------------------|-------------------------------------|---------------------|
| \$ 2,287,682                      | \$ 153,883                   | \$ -                                | \$ 2,647,509        |
| 1,203,863                         | -                            | 121,200                             | 1,325,063           |
| <u>3,491,545</u>                  | <u>153,883</u>               | <u>121,200</u>                      | <u>3,972,572</u>    |
| 2,454,621                         | 4,308                        | 103,271                             | 2,882,656           |
| 488,927                           | 869                          | 7,384                               | 534,971             |
| -                                 | 114,232                      | -                                   | 247,617             |
| <u>2,943,548</u>                  | <u>119,409</u>               | <u>110,655</u>                      | <u>3,665,244</u>    |
| 547,997                           | 34,474                       | 10,545                              | 307,328             |
| 98,706                            | 131,470                      | 13,176                              | 422,787             |
| (8,247)                           | -                            | -                                   | (15,719)            |
| <u>90,459</u>                     | <u>131,470</u>               | <u>13,176</u>                       | <u>407,068</u>      |
| 638,456                           | 165,944                      | 23,721                              | 714,396             |
| 988,832                           | 2,098,519                    | 200,226                             | 4,234,208           |
| <u>\$ 1,627,288</u>               | <u>\$ 2,264,463</u>          | <u>\$ 223,947</u>                   | <u>\$ 4,948,604</u> |

# **Gulf Coast Waste Disposal Authority**

## *Combining Statement of Cash Flows*

### *Internal Service Funds*

*Year ended December 31, 2007*

|  | <b>Casualty<br/>Insurance Risk<br/>Reserve</b> | <b>Compensated<br/>Absences</b> | <b>Data<br/>Processing</b> |
|--|--|---------------------------------|----------------------------|
| <b>Cash Flows from Operating Activities</b>  |  |                                 |                            |
| Receipts from customers and user   | \$ -   | \$ -                            | \$ 205,944                 |
| Payments to suppliers  | (49,078)                                       | (269,416)                       | 101,529                    |
| <b>Net cash provided by operating activities</b>   | <u>(49,078)</u>                                | <u>(269,416)</u>                | <u>307,473</u>             |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b>                                      |  |                                 |                            |
| Acquisition and construction of capital assets   | -  | -                               | (351,464)                  |
| Proceeds from sale of capital assets   | -  | -                               | -                          |
| <b>Net cash provided by capital and related<br/>financing activities</b>                                 | <u>-</u>                                       | <u>-</u>                        | <u>(351,464)</u>           |
| <b>Cash Flows from Investing Activities</b>  |  |                                 |                            |
| Interest received  | 22,665   | 156,770                         | -                          |
| <b>Net cash provided by investing activities</b>   | <u>22,665</u>                                  | <u>156,770</u>                  | <u>-</u>                   |
| <b>Net increase (decrease) in cash and<br/>cash equivalents</b>  | (26,413)                                       | (112,646)                       | (43,991)                   |
| Beginning cash and cash equivalents  | 347,061  | 2,539,832                       | 43,991                     |
| <b>Ending cash and cash equivalents</b>  | <u>\$ 320,648</u>                              | <u>\$ 2,427,186</u>             | <u>\$ -</u>                |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</b> |  |                                 |                            |
| Operating income (loss)  | \$ (49,078)                                    | \$ (99,326)                     | \$ (137,284)               |
| <b>Adjustment to reconcile operating income to net<br/>cash provided (used) by operating activities</b>  |  |                                 |                            |
| Depreciation   | -  | -                               | 133,385                    |
| <b>Changes in Operating Assets and Liabilities</b>   |  |                                 |                            |
| <b>(Increase) Decrease in Assets</b>   |  |                                 |                            |
| Accounts Receivable  | -  | -                               | -                          |
| Prepays  | -  | -                               | 163                        |
| <b>Increase (Decrease) Liabilities</b>   |  |                                 |                            |
| Wages Payable  | -  | (170,090)                       | -                          |
| Accounts payable   | -  | -                               | 57,065                     |
| Due to other funds   | -  | -                               | 254,144                    |
| <b>Net cash provided by operating activities</b>   | <u>\$ (49,078)</u>                             | <u>\$ (269,416)</u>             | <u>\$ 307,473</u>          |
| <b>Noncash Investing, Capital, and Financing Activities</b>  |  |                                 |                            |
| Gain (loss) on disposition of capital assets   | \$ -   | \$ -                            | \$ 2,208                   |

| <b>Employees'<br/>Health Care</b> | <b>Equipment<br/>Service</b> | <b>Pretreatment<br/>Legislation</b> | <b>Total</b>        |
|-----------------------------------|------------------------------|-------------------------------------|---------------------|
| \$ 3,204,025                      | \$ 153,883                   | \$ 121,200                          | \$ 3,685,052        |
| (2,869,750)                       | (72,980)                     | (118,655)                           | (3,278,350)         |
| <u>334,275</u>                    | <u>80,903</u>                | <u>2,545</u>                        | <u>406,702</u>      |
| -                                 | (164,432)                    | -                                   | (515,896)           |
| -                                 | 33,191                       | -                                   | 33,191              |
| <u>-</u>                          | <u>(131,241)</u>             | <u>-</u>                            | <u>(482,705)</u>    |
| 90,459                            | 103,272                      | 13,176                              | 386,342             |
| <u>90,459</u>                     | <u>103,272</u>               | <u>13,176</u>                       | <u>386,342</u>      |
| 424,734                           | 52,934                       | 15,721                              | 310,339             |
| 998,260                           | 1,566,587                    | 208,226                             | 5,703,957           |
| <u>\$ 1,422,994</u>               | <u>\$ 1,619,521</u>          | <u>\$ 223,947</u>                   | <u>\$ 6,014,296</u> |
| \$ 547,997                        | \$ 34,474                    | \$ 10,545                           | \$ 307,328          |
| -                                 | 114,232                      | -                                   | 247,617             |
| (287,520)                         | -                            | -                                   | (287,520)           |
| (35,864)                          | 321                          | -                                   | (35,380)            |
| -                                 | -                            | -                                   | (170,090)           |
| 109,662                           | (68,124)                     | (8,000)                             | 90,603              |
| -                                 | -                            | -                                   | 254,144             |
| <u>\$ 334,275</u>                 | <u>\$ 80,903</u>             | <u>\$ 2,545</u>                     | <u>\$ 406,702</u>   |
| \$ -                              | \$ 4,993                     | \$ -                                | \$ 7,201            |

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## **OTHER SUPPLEMENTARY INFORMATION**

**Gulf Coast Waste Disposal Authority**  
**Industrial Projects - Private Activity Revenue**  
**Bonds Issued and Outstanding (Page 1 of 3)**  
**December 31, 2007**

|  | <u>Series</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Air Pollution<br/>Control</u> |
|--|---------------|------------------------|---------------------------|--------------------------|----------------------------------|
| FMC Corporation Project  | 1979          | 10/01/79               | 2009                      | 7.050%                   | \$ 468,000                       |
| Amoco Oil Company Project  | 1984          | 12/01/84               | 2008                      | **                       | -                                |
| Amoco Oil Company Adjustable Project<br>Environmental Improvement Project                          | 1986          | 07/15/86               | 2009                      | 3.700% *                 | 7,000,000                        |
| Exxon Pollution Control Project<br>Revenue Refunding Bonds   | 1989          | 10/01/89               | 2024                      | **                       | 20,493,000                       |
| Amoco Oil Company Project Solid<br>Waste Disposal Revenue Bonds                                    | 1991          | 05/01/91               | 2015                      | 3.580% *                 | -                                |
| Amoco Oil Company Project Pollution<br>Control Revenue Refunding Bonds                             | 1992          | 09/01/92               | 2017                      | 3.178% *                 | 14,065,000                       |
| Amoco Oil Company Project Pollution<br>Control Revenue Bonds                                       | 1993          | 05/01/93               | 2023                      | 3.178% *                 | 50,000,000                       |
| Amoco Oil Company Project Pollution<br>Control Revenue Bonds                                       | 1994          | 06/01/94               | 2024                      | 3.178% *                 | -                                |
| Amoco Oil Company Project Solid<br>Waste Disposal Revenue Refunding Bonds                          | 1994          | 08/01/94               | 2023                      | 3.178% *                 | -                                |
| Amoco Oil Company Project Solid<br>Waste Disposal Revenue Bonds                                    | 1995          | 07/01/95               | 2027                      | 3.178% *                 | -                                |
| Exxon Project Pollution Control<br>Revenue Refunding Bonds   | 1995          | 11/29/95               | 2020                      | **                       | 21,216,000                       |
| Amoco Oil Company Project Pollution<br>Control and Solid Waste Disposal<br>Revenue Refunding Bonds | 1996          | 03/01/96               | 2024                      | 3.178% *                 | -                                |
| Amoco Oil Company Project<br>Environmental Facilities Revenue Bonds                                | 1997          | 04/01/97               | 2026                      | 3.178% *                 | -                                |
| Amoco Oil Company Project<br>Environmental Facilities Revenue Bonds                                | 1998          | 01/01/98               | 2026                      | 3.178% *                 | -                                |
| USX Corporation Environment Revenue<br>Bonds   | 1998          | 03/01/98               | 2017                      | 5.500%                   | -                                |

\* Rate as of 12/31/07, adjusted rate bonds

\*\* Variable rate

| Water Pollution Facilities |                         | Environmental<br>Improvement | Solid Waste<br>Disposal | Total                     | Amount<br>Retired | Amount<br>Outstanding     |
|----------------------------|-------------------------|------------------------------|-------------------------|---------------------------|-------------------|---------------------------|
| Owned by<br>the Authority  | Conveyed<br>to Industry |                              |                         |                           |                   |                           |
| \$ -<br>8,280,000          | \$ 2,132,000<br>-       | \$ -<br>-                    | \$ -<br>-               | \$ 2,600,000<br>8,280,000 | \$ 650,000<br>-   | \$ 1,950,000<br>8,280,000 |
| -                          | -                       | -                            | -                       | 7,000,000                 | -                 | 7,000,000                 |
| -                          | 4,207,000               | -                            | -                       | 24,700,000                | -                 | 24,700,000                |
| -                          | -                       | -                            | 9,200,000               | 9,200,000                 | -                 | 9,200,000                 |
| -                          | 19,255,000              | 54,895,000                   | -                       | 88,215,000                | -                 | 88,215,000                |
| -                          | -                       | -                            | -                       | 50,000,000                | -                 | 50,000,000                |
| -                          | 50,000,000              | -                            | -                       | 50,000,000                | -                 | 50,000,000                |
| -                          | -                       | -                            | 50,000,000              | 50,000,000                | -                 | 50,000,000                |
| -                          | -                       | -                            | 50,000,000              | 50,000,000                | -                 | 50,000,000                |
| -                          | 31,284,000              | -                            | -                       | 52,500,000                | -                 | 52,500,000                |
| -                          | 8,000,000               | -                            | 17,000,000              | 25,000,000                | -                 | 25,000,000                |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000                | -                 | 25,000,000                |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000                | -                 | 25,000,000                |
| -                          | -                       | 10,600,000                   | -                       | 10,600,000                | -                 | 10,600,000                |

Gulf Coast Waste Disposal Authority  
*Industrial Projects - Private Activity Revenue*  
*Bonds Issued and Outstanding (Page 2 of 3)*  
*December 31, 2007*

|   | <u>Series</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Air Pollution<br/>Control</u> |
|---|---------------|------------------------|---------------------------|--------------------------|----------------------------------|
| Valero Energy Corporation Project<br>Waste Disposal Revenue Bonds                 | 1998          | 03/01/98               | 2032                      | 5.600%                   | \$ -                             |
| Armco Inc. Project Variable Rate<br>Revenue Refunding Bonds                       | 1998          | 08/01/98               | 2008                      | 3.420% *                 | -                                |
| Reliant Energy Incorporated Revenue<br>Refunding Bonds                            | 1999          | 04/01/99               | 2011                      | 4.700%                   | -                                |
| Valero Energy Corporation Project<br>Waste Disposal Revenue Bonds                 | 1999          | 02/01/99               | 2032                      | 5.700%                   | -                                |
| Union Carbide Corporation Project<br>Pollution Control Revenue Refunding<br>Bonds | 1999          | 01/01/99               | 2012                      | 5.100%                   | -                                |
| Air Products Project Solid Waste<br>Disposal Revenue Bonds                        | 1999          | 06/01/99               | 2034                      | 3.600% *                 | -                                |
| Air Products Project Solid Waste<br>Disposal Revenue Bonds                        | 2000          | 03/01/00               | 2035                      | 3.600% *                 | -                                |
| Exxon Mobil Project Environmental<br>Facilities Revenue Bonds                     | 2000          | 05/31/00               | 2030                      | 3.650% *                 | -                                |
| Valero Energy Corporation Project<br>Waste Disposal Revenue Bonds                 | 2001          | 03/01/01               | 2032                      | 6.650%                   | -                                |
| Amoco Oil Company Environmental<br>Facilities Revenue Bonds                       | 2001          | 04/01/01               | 2032                      | 3.178% *                 | -                                |
| Republic Waste Services of Texas, Ltd.  | 2001          | 04/01/01               | 2023                      | **                       | -                                |
| Exxon Mobil Environmental Facility<br>Revenue Bonds                               | 2001A         | 04/23/01               | 2030                      | 3.650% *                 | -                                |
| Exxon Mobil Environmental Facility<br>Revenue Bonds                               | 2001B         | 04/23/01               | 2025                      | 3.650% *                 | -                                |
| American Acryl L.P. Project<br>Environmental Facilities Revenue Bonds             | 2001          | 09/14/01               | 2036                      | **                       | -                                |
| BP Products North America, Inc.<br>Environmental Facilities Revenue Bonds         | 2002          | 01/01/02               | 2036                      | 3.178% *                 | -                                |

\* Rate as of 12/31/07, adjusted rate bonds

\*\* Variable rate

| Water Pollution Facilities |                         | Environmental<br>Improvement | Solid Waste<br>Disposal | Total         | Amount<br>Retired | Amount<br>Outstanding |
|----------------------------|-------------------------|------------------------------|-------------------------|---------------|-------------------|-----------------------|
| Owned by<br>the Authority  | Conveyed<br>to Industry |                              |                         |               |                   |                       |
| \$ -                       | \$ -                    | \$ -                         | \$ 25,000,000           | \$ 25,000,000 | \$ -              | \$ 25,000,000         |
| -                          | -                       | -                            | 12,140,000              | 12,140,000    | -                 | 12,140,000            |
| -                          | 19,200,000              | -                            | -                       | 19,200,000    | -                 | 19,200,000            |
| -                          | -                       | -                            | 25,000,000              | 25,000,000    | -                 | 25,000,000            |
| -                          | 1,200,000               | -                            | -                       | 1,200,000     | -                 | 1,200,000             |
| -                          | -                       | -                            | 25,000,000              | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | -                            | 25,000,000              | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | -                            | 18,500,000              | 18,500,000    | -                 | 18,500,000            |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | -                            | 3,500,000               | 3,500,000     | -                 | 3,500,000             |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000    | -                 | 25,000,000            |

Gulf Coast Waste Disposal Authority  
*Industrial Projects - Private Activity Revenue*  
*Bonds Issued and Outstanding (Page 3 of 3)*  
*December 31, 2007*

|  | <u>Series</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Air Pollution<br/>Control</u> |
|--|---------------|------------------------|---------------------------|--------------------------|----------------------------------|
| Exxon Mobil Environmental Facility<br>Revenue Bonds                              | 2002          | 02/01/02               | 2025                      | 3.980% *                 | \$ -                             |
| Anheuser-Busch Project Sewage and<br>Solid Waste Disposal Revenue Bonds          | 2002          | 04/01/02               | 2036                      | 5.900%                   | -                                |
| International Paper Company Project  | 2002A         | 08/18/02               | 2024                      | 6.100%                   | -                                |
| Exxon Mobil Environmental Facility<br>Revenue Bonds                              | 2003          | 04/01/03               | 2025                      | 3.980% *                 | -                                |
| Waste Management of Texas, Inc. Solid<br>Waste Disposal Revenue Bonds            | 2003A         | 04/01/03               | 2028                      | 5.200% *                 | -                                |
| Waste Management of Texas, Inc. Solid<br>Waste Disposal Revenue Bonds            | 2003B         | 04/01/03               | 2028                      | 3.500% *                 | -                                |
| Waste Management of Texas, Inc. Solid<br>Waste Disposal Revenue Bonds            | 2003C         | 04/01/03               | 2028                      | 5.200% *                 | -                                |
| American Acryl L.P. Environmental<br>Facilities Revenue Bonds                    | 2003          | 05/01/03               | 2038                      | 4.000% *                 | -                                |
| BP Amoco Chemical Company Environmental<br>Facilities Revenue Bonds              | 2003          | 05/01/03               | 2038                      | **                       | -                                |
| BP Products North America Inc. Environmental<br>Facilities Revenue Bonds         | 2003          | 05/01/03               | 2034                      | **                       | -                                |
| BP Amoco Chemical Company Environmental<br>Facilities Revenue Bonds              | 2003B         | 08/01/03               | 2038                      | **                       | -                                |
| Waste Management of Texas, Inc. Solid<br>Waste Disposal Revenue Bonds            | 2003D         | 10/01/03               | 2012                      | 4.550% *                 | -                                |
| Waste Management of Texas, Inc. Solid and Western<br>Waste Industries Project    | 2004A         | 03/01/04               | 2019                      | 3.950% *                 | -                                |
| CenterPoint Energy Houston Electric, LLC Project                                 | 2004          | 03/01/04               | 2012                      | 3.625%                   | -                                |
| Air Products Environmental Facilities Revenue<br>Bonds                           | 2004          | 12/01/04               | 2039                      | 3.600% *                 | -                                |
| Republic Waste Services of Texas, Ltd. Project                                   | 2004          | 12/01/04               | 2034                      | **                       | -                                |
| BP Products North America Inc. Project Environmental<br>Facilities Revenue Bonds | 2004          | 12/08/07               | 2031                      | **                       | -                                |
| Air Products Environmental Facilities Revenue<br>Bonds                           | 2005          | 04/01/05               | 2040                      | 3.600% *                 | -                                |
| BP Products North America Inc. Project<br>Revenue Refunding Bonds                | 2005          | 05/01/05               | 2026                      | **                       | -                                |
| BP Projects North America Inc. Project   | 2006          | 05/02/06               | 2036                      | **                       | -                                |
| BP Products North America Inc. Project Environmental<br>Facilities Revenue Bonds | 2007          | 09/01/07               | 2042                      | 3.850% *                 | -                                |
| <b>Totals</b>  |               |                        |                           |                          | <u>\$ 113,242,000</u>            |

\* Rate as of 12/31/07, adjusted rate bonds

\*\* Variable rate

| Water Pollution Facilities |                         | Environmental<br>Improvement | Solid Waste<br>Disposal | Total                   | Amount<br>Retired | Amount<br>Outstanding   |
|----------------------------|-------------------------|------------------------------|-------------------------|-------------------------|-------------------|-------------------------|
| Owned by<br>the Authority  | Conveyed<br>to Industry |                              |                         |                         |                   |                         |
| \$ -                       | \$ -                    | \$ 25,000,000                | \$ -                    | \$ 25,000,000           | \$ -              | \$ 25,000,000           |
| -                          | -                       | -                            | 20,000,000              | 20,000,000              | -                 | 20,000,000              |
| -                          | -                       | -                            | 71,565,000              | 71,565,000              | -                 | 71,565,000              |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | -                            | 12,000,000              | 12,000,000              | -                 | 12,000,000              |
| -                          | -                       | -                            | 10,000,000              | 10,000,000              | -                 | 10,000,000              |
| -                          | -                       | -                            | 12,000,000              | 12,000,000              | -                 | 12,000,000              |
| -                          | -                       | 19,000,000                   | -                       | 19,000,000              | -                 | 19,000,000              |
| -                          | -                       | 21,000,000                   | -                       | 21,000,000              | -                 | 21,000,000              |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | 18,600,000                   | -                       | 18,600,000              | -                 | 18,600,000              |
| -                          | -                       | -                            | 25,000,000              | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | -                            | 35,000,000              | 35,000,000              | -                 | 35,000,000              |
| -                          | 1,828,310               | -                            | 10,271,690              | 12,100,000              | -                 | 12,100,000              |
| -                          | -                       | -                            | 25,000,000              | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | -                            | 12,500,000              | 12,500,000              | -                 | 12,500,000              |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | -                            | 19,000,000              | 19,000,000              | -                 | 19,000,000              |
| -                          | -                       | 25,000,000                   | -                       | 25,000,000              | -                 | 25,000,000              |
| -                          | -                       | 39,000,000                   | -                       | 39,000,000              | -                 | 39,000,000              |
| -                          | -                       | -                            | -                       | -                       | -                 | -                       |
| -                          | -                       | 100,000,000                  | -                       | 100,000,000             | -                 | 100,000,000             |
| <u>\$ 8,280,000</u>        | <u>\$ 137,106,310</u>   | <u>\$ 588,095,000</u>        | <u>\$ 512,676,690</u>   | <u>\$ 1,359,400,000</u> | <u>\$ 650,000</u> | <u>\$ 1,358,750,000</u> |

**Gulf Coast Waste Disposal Authority**  
*Municipal Projects - Contract Revenue*  
*Bonds Issued and Outstanding*  
*December 31, 2007*

|  | <u>Series</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Amount Issued<br/>Disposal</u> | <u>Amount<br/>Retired</u> | <u>Amount<br/>Outstanding</u> |
|--|---------------|------------------------|---------------------------|--------------------------|-----------------------------------|---------------------------|-------------------------------|
| Cedar Bayou Park Utility District Sewer<br>System Contract Revenue Bonds | 1978          | 11/1/78                | 2008                      | 7.500%                   | \$ 320,000                        | \$ 290,000                | \$ 30,000                     |
| <b>Totals</b>  |               |                        |                           |                          | <u>\$ 320,000</u>                 | <u>\$ 290,000</u>         | <u>\$ 30,000</u>              |



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**Gulf Coast Waste Disposal Authority**  
***Gulf Coast Industrial Development Authority - Industrial***  
***Development Revenue Bonds Issued and Outstanding***  
***December 31, 2007***

|   | <u>Series</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity</u> | <u>Interest<br/>Rate</u> |   |
|---|---------------|------------------------|---------------------------|--------------------------|---|
| Amoco Oil Company Adjusted Rate Marine<br>Terminal Revenue Bonds Project      | 1985          | 06/01/85               | 2025                      | **                       |   |
| PetroUnited Terminals, Inc. Project   | 1989          | 11/01/89               | 2019                      | **                       |   |
| Amoco Oil Company Adjusted Rate Marine<br>Terminal Revenue Bonds Project      | 1993          | 03/01/93               | 2028                      | 3.178%                   | * |
| CITGO Petroleum Corporation Project<br>Solid Waste Disposal Revenue Bonds     | 1994          | 04/01/94               | 2026                      | 3.540%                   | * |
| Gruma Corporation Project Variable Rate Demand<br>Revenue Bonds               | 1994          | 11/29/94               | 2009                      | **                       |   |
| Mobil Oil Corporation Project Pollution Control<br>Revenue Bonds              | 1997          | 07/01/97               | 2007                      | 4.950%                   |   |
| Mueller Flow Technologies, Inc. Project                                       | 1997          | 07/01/97               | 2017                      | **                       |   |
| Valero Refining and Marketing Company Project                                 | 1997          | 12/01/97               | 2031                      | 5.600%                   | * |
| CITGO Petroleum Environmental Facilities<br>Revenue Bonds                     | 1998          | 08/01/98               | 2028                      | 8.000%                   |   |
| CITGO Petroleum Corporation Project<br>Environmental Facilities Revenue Bonds | 1999          | 04/01/99               | 2029                      | 3.850%                   | * |
| Harsco Corporation Project Economic Development<br>Revenue Bonds              | 2000          | 05/01/00               | 2010                      | 3.670%                   |   |
| CITGO Petroleum Corporation Environmental<br>Facilities Revenue Bonds         | 2001          | 03/01/01               | 2031                      | 3.540%                   | * |
| CITGO Petroleum Facilities Revenue Bonds                                      | 2002          | 03/01/02               | 2032                      | 3.540%                   | * |
| BP Global Power Corp. Project   | 2003          | 04/01/03               | 2038                      | 3.850%                   | * |
| CITGO Petroleum Corporation Project   | 2004          | 05/01/04               | 2032                      | 3.540%                   | * |
| Cinergy Solutions - CST Green Power, L.P. Project                             | 2004          | 05/12/04               | 2039                      | 5.000%                   | * |
| Microgy Project Environmental Facilities Revenue Bonds                        | 2006          | 11/01/06               | 2036                      | 7.000%                   |   |
| Dia-Den LTD Project Industrial Development Revenue Bonds                      | 2007          | 10/01/07               | 2027                      | **                       |   |

**Totals**

\* Rate as of 12/31/07, adjusted rate bonds

\*\* Variable rate bond

| <u>Amount<br/>Issued</u> |             | <u>Amount<br/>Retired</u> |            | <u>Amount<br/>Outstanding</u> |            |
|--------------------------|-------------|---------------------------|------------|-------------------------------|------------|
| \$                       | 14,350,000  | \$                        | 2,285,000  | \$                            | 12,065,000 |
|                          | 12,400,000  |                           | 5,200,000  |                               | 7,200,000  |
|                          | 44,800,000  |                           | -          |                               | 44,800,000 |
|                          | 50,000,000  |                           | -          |                               | 50,000,000 |
|                          | 6,850,000   |                           | 410,000    |                               | 6,440,000  |
|                          | 11,500,000  |                           | 8,550,000  |                               | 2,950,000  |
|                          | 5,000,000   |                           | 1,720,000  |                               | 3,280,000  |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 100,000,000 |                           | 75,000,000 |                               | 25,000,000 |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 2,000,000   |                           | -          |                               | 2,000,000  |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 23,000,000  |                           | -          |                               | 23,000,000 |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 25,000,000  |                           | -          |                               | 25,000,000 |
|                          | 60,000,000  |                           | -          |                               | 60,000,000 |
|                          | 5,280,000   |                           |            |                               | 5,280,000  |
| <u>\$ 485,180,000</u>    |             | <u>\$ 93,165,000</u>      |            | <u>\$ 392,015,000</u>         |            |

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# STATISTICAL SECTION

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.

| Content   | Page |
|---|------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time</i>  | 90   |
| Revenue Capacity<br><i>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</i>  | 100  |
| Debt Capacity<br><i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future</i>  | 102  |
| Demographic and Economic Information<br><i>This schedule offers 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.</i> | 105  |
| Operating Information<br><i>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.</i>  | 106  |

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

# **Gulf Coast Waste Disposal Authority**

## *Net Assets By Component*

### *Last Seven Years (1)*

(accrual basis of accounting)

|  | <u>2001</u>          | <u>2002</u>          | <u>2003</u>          | <u>2004</u>          |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental activities                            |                      |                      |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 28,857,199        | \$ 26,573,541        | \$ 27,227,848        | \$ 26,359,067        |
| Unrestricted                                       | <u>8,213,224</u>     | <u>9,003,796</u>     | <u>8,946,529</u>     | <u>8,798,321</u>     |
| Total governmental activities net assets           | <u>\$ 37,070,423</u> | <u>\$ 35,577,337</u> | <u>\$ 36,174,377</u> | <u>\$ 35,157,388</u> |
| Business-type activities                           |                      |                      |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 6,683,027         | \$ 5,641,046         | \$ 6,953,980         | \$ 16,581,937        |
| Restricted   | 4,316,148            | 4,245,104            | 3,206,216            | 3,913,286            |
| Unrestricted                                       | <u>26,375,188</u>    | <u>30,560,154</u>    | <u>30,456,754</u>    | <u>21,459,437</u>    |
| Total business-type activities                     | <u>\$ 37,374,363</u> | <u>\$ 40,446,304</u> | <u>\$ 40,616,950</u> | <u>\$ 41,954,660</u> |
| Primary government                                 |                      |                      |                      |                      |
| Invested in capital assets,<br>net of related debt | \$ 35,540,226        | \$ 32,214,587        | \$ 34,181,828        | \$ 42,941,004        |
| Restricted   | 4,316,148            | 4,245,104            | 3,206,216            | 3,913,286            |
| Unrestricted                                       | <u>34,588,412</u>    | <u>39,563,950</u>    | <u>39,403,283</u>    | <u>30,257,758</u>    |
| Total primary government net assets                | <u>\$ 74,444,786</u> | <u>\$ 76,023,641</u> | <u>\$ 76,791,327</u> | <u>\$ 77,112,048</u> |

(1) The requirement for statistical data is ten years; only seven years are available at this time.

(2) Effective January 1, 2007, the Authority reclassified all of its governmental activities to business-type activities, therefore only the net assets of the business type activities are shown in 2007

| <u>2005</u>          | <u>2006</u>          | <u>2007 (2)</u> |
|----------------------|----------------------|-----------------|
| \$ 24,362,755        | \$ 24,213,172        | \$ -            |
| 9,571,716            | 12,729,583           | -               |
| <u>\$ 33,934,471</u> | <u>\$ 36,942,755</u> | <u>\$ -</u>     |

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| \$ 13,120,166        | \$ 16,618,976        | \$ 41,776,131        |
| 4,129,420            | 4,168,561            | 4,780,166            |
| 25,394,915           | 23,164,268           | 46,802,190           |
| <u>\$ 42,644,501</u> | <u>\$ 43,951,805</u> | <u>\$ 93,358,487</u> |

|                      |                      |             |
|----------------------|----------------------|-------------|
| \$ 37,482,921        | \$ 40,832,148        | \$ -        |
| 4,129,420            | 4,168,561            | -           |
| 34,966,631           | 35,893,851           | -           |
| <u>\$ 76,578,972</u> | <u>\$ 80,894,560</u> | <u>\$ -</u> |

# **Gulf Coast Waste Disposal Authority**

## *Change in Net Assets (Page 1 of 2)*

### *Last Seven Years (1)*

(accrual basis of accounting)

|  | 2001                 | 2002                 | 2003                 | 2004                 |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Expenses</b>                                |                      |                      |                      |                      |
| Governmental activities                        |                      |                      |                      |                      |
| General services                               | \$ 4,350,245         | \$ 4,386,024         | \$ 4,460,510         | \$ 4,821,918         |
| Wastewater treatment                           | 17,911,470           | 19,665,477           | 19,108,940           | 21,052,467           |
| Solid waste disposal                           | 2,006,740            | 1,122,691            | 1,151,728            | 1,580,841            |
| Total governmental activities expenses         | <u>24,268,455</u>    | <u>25,174,192</u>    | <u>24,721,178</u>    | <u>27,455,226</u>    |
| Business-type activities                       |                      |                      |                      |                      |
| General services                               | -                    | -                    | -                    | -                    |
| Wastewater treatment                           | 20,370,364           | 20,743,686           | 22,451,885           | 24,550,405           |
| Solid waste disposal                           | 550,301              | 473,763              | 237,573              | 28,080               |
| Total business-type activities expenses        | <u>20,920,665</u>    | <u>21,217,449</u>    | <u>22,689,458</u>    | <u>24,578,485</u>    |
| Total primary government expenses              | <u>\$ 45,189,120</u> | <u>\$ 46,391,641</u> | <u>\$ 47,410,636</u> | <u>\$ 52,033,711</u> |
| <b>Program Revenues</b>                        |                      |                      |                      |                      |
| Governmental activities                        |                      |                      |                      |                      |
| Charges for services                           |                      |                      |                      |                      |
| General services                               | \$ 4,709,375         | \$ 4,701,550         | \$ 5,004,388         | \$ 4,696,638         |
| Wastewater treatment                           | 15,467,502           | 17,895,593           | 18,790,068           | 19,267,995           |
| Solid waste disposal                           | 1,632,790            | 1,055,692            | 939,578              | 2,181,375            |
| Operating grants and contributions             | 52,740               | -                    | -                    | -                    |
| Total governmental activities program revenues | <u>21,862,407</u>    | <u>23,652,835</u>    | <u>24,734,034</u>    | <u>26,146,008</u>    |
| Business-type activities                       |                      |                      |                      |                      |
| Charges for services                           |                      |                      |                      |                      |
| General services                               | -                    | -                    | -                    | -                    |
| Wastewater treatment                           | 22,792,871           | 22,441,298           | 22,059,581           | 25,959,883           |
| Solid waste disposal                           | 486,570              | 490,937              | 183,196              | 19,898               |
| Total business-type activities revenues        | <u>23,279,441</u>    | <u>22,932,235</u>    | <u>22,242,777</u>    | <u>25,979,781</u>    |
| Total primary government revenues              | <u>\$ 45,141,848</u> | <u>\$ 46,585,070</u> | <u>\$ 46,976,811</u> | <u>\$ 52,125,789</u> |
| <b>Net (Expense)/Revenue</b>                   |                      |                      |                      |                      |
| Governmental activities                        | \$ (2,406,048)       | \$ (1,521,357)       | \$ 12,856            | \$ (1,309,218)       |
| Business-type activities                       | 2,358,776            | 1,714,786            | (446,681)            | 1,401,296            |
| Total primary government net expense           | <u>\$ (47,272)</u>   | <u>\$ 193,429</u>    | <u>\$ (433,825)</u>  | <u>\$ 92,078</u>     |

(1) The requirement for statistical data is ten years; only seven years are available at this time.

(2) Effective January 1, 2007, the Authority reclassified all of its governmental activities to business-type activities, therefore no changes in net assets - governmental activities are shown in 2007



| <u>2005</u>           | <u>2006</u>          | <u>2007 (2)</u>      |
|-----------------------|----------------------|----------------------|
| \$ 4,625,778          | \$ 5,061,636         | \$ -                 |
| 20,656,707            | 22,194,821           | -                    |
| 1,201,633             | 1,368,584            | -                    |
| <u>26,484,118</u>     | <u>28,625,041</u>    | <u>-</u>             |
| -                     | -                    | 2,478,603            |
| 25,417,276            | 27,990,061           | 49,536,590           |
| 39                    | -                    | 1,288,065            |
| <u>25,417,315</u>     | <u>27,990,061</u>    | <u>53,303,258</u>    |
| <u>\$ 51,901,433</u>  | <u>\$ 56,615,102</u> | <u>\$ 53,303,258</u> |
|                       |                      |                      |
| \$ 4,208,888          | \$ 4,998,422         | \$ -                 |
| 19,603,259            | 21,947,181           | -                    |
| 886,576               | 1,010,813            | -                    |
| -                     | 3,000,000            | -                    |
| <u>24,698,723</u>     | <u>30,956,416</u>    | <u>-</u>             |
|                       |                      |                      |
| -                     | -                    | 2,062,936            |
| 25,138,101            | 27,920,349           | 59,195,871           |
| -                     | -                    | 959,903              |
| <u>25,138,101</u>     | <u>27,920,349</u>    | <u>62,218,710</u>    |
| <u>\$ 49,836,824</u>  | <u>\$ 58,876,765</u> | <u>\$ 62,218,710</u> |
|                       |                      |                      |
| \$ (1,785,395)        | \$ 2,331,375         | \$ -                 |
| (279,214)             | (69,712)             | 8,915,452            |
| <u>\$ (2,064,609)</u> | <u>\$ 2,261,663</u>  | <u>\$ 8,915,452</u>  |

# **Gulf Coast Waste Disposal Authority**

## *Change in Net Assets (Page 2 of 2)*

### *Last Seven Years (1)*

*(accrual basis of accounting)*

|   | <u>2001</u>         | <u>2002</u>         | <u>2003</u>         | <u>2004</u>       |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>General Revenues and Other Changes in Net Assets</b> |                     |                     |                     |                   |
| Governmental activities:                                |                     |                     |                     |                   |
| Investment earnings                                     | \$ 708,083          | \$ 444,126          | \$ 255,609          | \$ 279,697        |
| Gain (loss) on sale of capital assets                   | -                   | -                   | -                   | (123,318)         |
| Transfers   | -                   | -                   | 820,374             | -                 |
| Total governmental activities                           | <u>708,083</u>      | <u>444,126</u>      | <u>1,075,983</u>    | <u>156,379</u>    |
| Business-type activities                                |                     |                     |                     |                   |
| Investment earnings                                     | 1,602,993           | 1,357,155           | 699,364             | 918,404           |
| Gain (loss) on sale of capital assets                   | -                   | -                   | -                   | 58,858            |
| Special item - defeasance of loss                       | -                   | -                   | -                   | (1,040,848)       |
| Transfers   | -                   | -                   | (82,037)            | -                 |
| Total business-type activities                          | <u>1,602,993</u>    | <u>1,357,155</u>    | <u>617,327</u>      | <u>(63,586)</u>   |
| Total primary government                                | <u>\$ 2,311,076</u> | <u>\$ 1,801,281</u> | <u>\$ 1,693,310</u> | <u>\$ 92,793</u>  |
| <b>Change in Net Assets</b>                             |                     |                     |                     |                   |
| Governmental activities                                 | \$ (2,223,712)      | \$ (1,493,086)      | \$ 597,040          | \$ (1,016,989)    |
| Business-type activities                                | <u>3,961,769</u>    | <u>3,071,941</u>    | <u>170,646</u>      | <u>1,337,710</u>  |
| Total primary government                                | <u>\$ 1,738,057</u> | <u>\$ 1,578,855</u> | <u>\$ 767,686</u>   | <u>\$ 320,721</u> |

(1) The requirement for statistical data is ten years; only seven years are available at this time.

(2) Effective January 1, 2007, the Authority reclassified all of its governmental activities to business-type activities, therefore no changes in net assets - governmental activities are shown in 2007

| <u>2005</u>         | <u>2006</u>         | <u>2007 (2)</u>      |
|---------------------|---------------------|----------------------|
| \$ 295,488          | \$ 676,909          | \$ -                 |
| -                   | -                   | -                    |
| 266,990             | -                   | -                    |
| <u>562,478</u>      | <u>676,909</u>      | <u>-</u>             |
| 1,236,045           | 1,377,016           | 3,548,475            |
| -                   | -                   | -                    |
| -                   | -                   | -                    |
| (266,990)           | -                   | -                    |
| <u>969,055</u>      | <u>1,377,016</u>    | <u>3,548,475</u>     |
| <u>\$ 1,531,533</u> | <u>\$ 2,053,925</u> | <u>\$ 3,548,475</u>  |
| \$ (1,222,917)      | \$ 3,008,284        | \$ -                 |
| 689,841             | 1,307,304           | 12,463,927           |
| <u>\$ (533,076)</u> | <u>\$ 4,315,588</u> | <u>\$ 12,463,927</u> |

**Gulf Coast Waste Disposal Authority**  
***Fund Balances, Governmental Funds***  
***Last Seven Years (1)***  
***(modified accrual basis of accounting)***

|                                    | <u>2001</u>         | <u>2002</u>         | <u>2003</u>         | <u>2004</u>         |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund                       |                     |                     |                     |                     |
| Reserved                           | \$ 1,010,991        | \$ 1,195,923        | \$ 1,446,237        | \$ 1,057,710        |
| Unreserved                         | 4,346,333           | 4,934,547           | 5,124,473           | 5,442,919           |
| Total general fund                 | <u>\$ 5,357,324</u> | <u>\$ 6,130,470</u> | <u>\$ 6,570,710</u> | <u>\$ 6,500,629</u> |
| <br>All Other Governmental Funds   |                     |                     |                     |                     |
| Reserved                           | \$ 104,007          | \$ 188,866          | \$ 152,804          | \$ 114,850          |
| Unreserved reported in             |                     |                     |                     |                     |
| Special revenue fund               | 821,878             | 306                 | 50,793              | 112,014             |
| Capital projects fund              | (7,760)             | 1,108,704           | 279,727             | 530                 |
| Total all other governmental funds | <u>\$ 918,125</u>   | <u>\$ 1,297,876</u> | <u>\$ 483,324</u>   | <u>\$ 227,394</u>   |

- (1) The requirement for statistical data is ten years; only seven years are available at this time.
- (2) Effective January 1, 2007, the Authority converted all of its governmental funds to enterprise, therefore no fund balances, governmental funds are shown in 2007

| <u>2005</u>         | <u>2006</u>         | <u>2007 (2)</u> |
|---------------------|---------------------|-----------------|
| \$ 756,149          | \$ 2,605,377        | \$ -            |
| 5,664,147           | 6,851,638           | -               |
| <u>\$ 6,420,296</u> | <u>\$ 9,457,015</u> | <u>\$ -</u>     |

|                   |                       |             |
|-------------------|-----------------------|-------------|
| \$ 92,109         | \$ 1,459,866          | \$ -        |
| 158,665           | (2,788,526)           | -           |
| 557               | (1,573)               | -           |
| <u>\$ 251,331</u> | <u>\$ (1,330,233)</u> | <u>\$ -</u> |

**Gulf Coast Waste Disposal Authority**  
*Changes in Fund Balance, Governmental Funds*  
*Last Seven Years (1)*  
*(modified accrual basis of accounting)*

|   | <u>2001</u>        | <u>2002</u>         | <u>2003</u>         |
|---|--------------------|---------------------|---------------------|
| <b>Revenues</b>   |                    |                     |                     |
| Charges for services                                    | \$ 18,510,756      | \$ 20,065,687       | \$ 21,752,837       |
| Contributions   | -                  | 604,647             | -                   |
| Intergovernmental                                       | 2,299,708          | 2,489,356           | 2,905,339           |
| Investment earnings                                     | 466,454            | 290,635             | 183,813             |
| Other revenues  | 526,197            | 77,287              | 322,427             |
| Total revenues  | <u>21,803,115</u>  | <u>23,527,612</u>   | <u>25,164,416</u>   |
| <b>Expenditures</b>                                     |                    |                     |                     |
| General services  | 4,187,983          | 4,205,682           | 4,478,754           |
| Wastewater treatment                                    | 14,944,554         | 16,516,537          | 16,785,155          |
| Solid waste disposal                                    | 840,341            | 910,809             | 967,336             |
| Capital outlay  | 1,605,847          | 741,687             | 3,389,520           |
| Debt service  |                    |                     |                     |
| Principal   | -                  | -                   | -                   |
| Interest  | -                  | -                   | -                   |
|   | <u>21,578,725</u>  | <u>22,374,715</u>   | <u>25,620,765</u>   |
| Total expenditures                                      | 224,390            | 1,152,897           | (456,349)           |
| Excess of revenues over (under) expenditures            |                    |                     |                     |
| <b>Other Financing Sources (Uses)</b>                   |                    |                     |                     |
| Transfers in  | -                  | -                   | 82,037              |
| Prior period adjustment                                 | (315,334)          | -                   | -                   |
|   | <u>(315,334)</u>   | <u>-</u>            | <u>82,037</u>       |
| Total other financing sources (uses)                    |                    |                     |                     |
|   | <u>\$ (90,944)</u> | <u>\$ 1,152,897</u> | <u>\$ (374,312)</u> |
| Net change in fund balances                             |                    |                     |                     |
| Debt Service as a percentage of noncapital expenditures | -                  | -                   | -                   |

(1) The requirement for statistical data is ten years; only seven years are available at this time.

(2) Effective January 1, 2007, the Authority converted all of its governmental funds to enterprise, therefore no changes in fund balance, governmental funds are shown in 2007

| <u>2004</u>         | <u>2005</u>        | <u>2006</u>         | <u>2007 (2)</u> |
|---------------------|--------------------|---------------------|-----------------|
| \$ 21,855,986       | \$ 21,780,527      | \$ 24,609,687       | \$ -            |
| 1,175,095           | -                  | -                   | -               |
| 3,071,938           | 2,889,327          | 3,299,100           | -               |
| 179,522             | 186,153            | 451,777             | -               |
| 192,772             | 28,869             | 254,493             | -               |
| <u>26,475,313</u>   | <u>24,884,876</u>  | <u>28,615,057</u>   | <u>-</u>        |
| 4,723,388           | 4,648,414          | 4,879,389           | -               |
| 18,505,531          | 19,019,769         | 20,774,730          | -               |
| 1,016,103           | 889,273            | 1,023,159           | -               |
| 2,556,302           | 650,806            | 3,189,371           | -               |
| -                   | -                  | 216,672             | -               |
| -                   | -                  | 76,581              | -               |
| <u>26,801,324</u>   | <u>25,208,262</u>  | <u>30,159,902</u>   | <u>-</u>        |
| (326,011)           | (323,386)          | (1,544,845)         | -               |
| -                   | 266,990            | 3,000,000           | -               |
| -                   | -                  | -                   | -               |
| <u>-</u>            | <u>266,990</u>     | <u>3,000,000</u>    | <u>-</u>        |
| <u>\$ (326,011)</u> | <u>\$ (56,396)</u> | <u>\$ 1,455,155</u> | <u>\$ -</u>     |
| -                   | -                  | 1.098%              | -               |

**Gulf Coast Waste Disposal Authority**

**Bayport Major Customers**

*Current Year and Six Years Ago (1)*

*(modified accrual basis of accounting)*

| Customer                            | 2007          |      |                  | 2001          |      |                  |
|-------------------------------------|---------------|------|------------------|---------------|------|------------------|
|                                     | Total Sales   | Rank | % of Total Sales | Total Sales   | Rank | % of Total Sales |
| Celanese LTD                        | \$ 4,037,283  | 1    | 16.08%           | \$ 3,437,621  | 1    | 18.50%           |
| Lyondell Chemical Company           | 3,363,034     | 2    | 13.39%           | 2,437,437     | 2    | 13.12%           |
| Albermarle Catalysts Company LP (2) | 2,683,849     | 3    | 10.69%           | 1,973,148     | 3    | 10.62%           |
| Kaneka Texas Corp                   | 1,782,091     | 4    | 7.10%            | 1,113,686     | 4    | 6.00%            |
| Dixie Chemical                      | 1,116,373     | 5    | 4.45%            | 917,066       | 6    | 4.94%            |
| Kaneka Nutrients, LP                | 1,016,883     | 6    | 4.05%            | n/a           |      |                  |
| Equistar Bayport Chemicals LP       | 859,137       | 7    | 3.42%            | 954,075       | 5    | 5.14%            |
| Intergulf Corp                      | 809,614       | 8    | 3.22%            | n/a           |      |                  |
| American Acryl                      | 728,740       | 9    | 2.90%            | n/a           |      |                  |
| Huish Detergents                    | 711,803       | 10   | 2.83%            | n/a           |      |                  |
| Rohm and Haas                       |               | n/a  |                  | 842,637       | 7    | 4.54%            |
| Noltex, LLC                         |               | n/a  |                  | 684,195       | 8    | 3.68%            |
| Eval Company                        |               | n/a  |                  | 638,699       | 9    | 3.44%            |
| PPG Industries                      |               | n/a  |                  | 595,342       | 10   | 3.21%            |
| Subtotal                            | \$ 17,108,807 |      | 68.13%           | \$ 13,593,906 |      | 73.19%           |
| Other customers                     | 8,005,906     |      | 31.87%           | 4,979,944     |      | 26.81%           |
| Total                               | \$ 25,114,713 |      | 100.00%          | \$ 18,573,850 |      | 100.00%          |

Source: GCWDA 2001 CAFR  
2007 General Ledger

(1) The requirement for statistical data is current year and nine years previous; only current year and six years previous is available at this time.

(2) In 2004, Albermarle Catalysts Company purchased Akzo Nobel Chemicals, Inc.



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**Gulf Coast Waste Disposal Authority**  
**Bayport Area Revenue Bonds Debt Service**  
**Coverage of the Pledged Revenues**  
**Last Ten Years**

|  | <u>1998</u>         | <u>1999</u>         | <u>2000</u>         |
|--|---------------------|---------------------|---------------------|
| Net Income   | \$ 2,487,632        | \$ 2,324,472        | \$ 3,810,423        |
| Add items not includable in<br>current expenses:                                       |                     |                     |                     |
| Bond interest expense  | 2,101,052           | 2,028,255           | 2,084,695           |
| Depreciation   | 2,915,894           | 2,912,404           | 3,316,019           |
| Management fees  | <u>344,220</u>      | <u>331,136</u>      | <u>338,088</u>      |
| Pledge revenues  | 7,848,798           | 7,596,267           | 9,549,225           |
| Average annual debt service on<br>outstanding bonds                                    | <u>\$ 3,423,583</u> | <u>\$ 3,400,516</u> | <u>\$ 3,374,550</u> |
| Coverage by pledged revenues of<br>average annual debt service on<br>outstanding bonds | 2.29                | 2.23                | 2.83                |

| <u>2001</u>         | <u>2002</u>         | <u>2003</u>         | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 3,641,119        | \$ 2,785,341        | \$ 237,712          | \$ 100,560          | \$ 602,928          | \$ 1,061,033        | \$ 3,344,921        |
| 1,865,054           | 1,862,038           | 1,805,219           | 1,935,773           | 2,443,000           | 2,339,387           | 2,214,213           |
| 3,509,082           | 3,381,829           | 3,365,147           | 3,536,328           | 3,572,981           | 3,915,355           | 4,271,287           |
| <u>341,100</u>      | <u>363,900</u>      | <u>368,004</u>      | <u>359,496</u>      | <u>378,696</u>      | <u>489,996</u>      | <u>600,000</u>      |
| 9,356,355           | 8,393,108           | 5,776,082           | 5,932,157           | 6,997,605           | 7,805,771           | 10,430,421          |
| <u>\$ 3,344,717</u> | <u>\$ 2,532,068</u> | <u>\$ 2,464,173</u> | <u>\$ 3,834,726</u> | <u>\$ 3,780,180</u> | <u>\$ 3,719,318</u> | <u>\$ 3,649,840</u> |
| 2.80                | 3.31                | 2.34                | 1.55                | 1.85                | 2.10                | 2.86                |

## Gulf Coast Waste Disposal Authority

### *Ratios of Outstanding Debt by Type*

#### *Last Ten Years*

(dollars in thousands)

| <i>Fiscal Year</i> | <b>Governmental</b> | <b>Business-Type Activities</b> |                  |                   | <b>Total</b>      | <b>Total</b>     | <b>Percent of</b> |
|--------------------|---------------------|---------------------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                    | <b>Activites</b>    |                                 |                  |                   | <b>Primary</b>    | <b>Operating</b> | <b>Total</b>      |
|                    | <i>Promissory</i>   | <i>Revenue</i>                  | <i>Refunding</i> | <i>Promissory</i> | <b>Government</b> | <b>Revenue</b>   | <b>Revenue</b>    |
|                    | <i>Note</i>         | <i>Bonds</i>                    | <i>Bonds</i>     | <i>Note</i>       |                   |                  |                   |
| 1998               | \$ -                | \$ 38,675                       | \$ -             | \$ -              | \$ 38,675         | \$ 45,441        | 85.11%            |
| 1999               | -                   | 36,930                          | -                | -                 | 36,930            | 43,438           | 85.02%            |
| 2000               | -                   | 35,110                          | -                | -                 | 35,110            | 50,099           | 70.08%            |
| 2001               | -                   | 33,205                          | -                | -                 | 33,205            | 43,905           | 75.63%            |
| 2002 (1)           | -                   | 35,875                          | -                | -                 | 35,875            | 45,519           | 78.81%            |
| 2003               | -                   | 33,905                          | -                | -                 | 33,905            | 46,270           | 73.28%            |
| 2004 (2)           | -                   | 26,685                          | 24,025           | -                 | 50,710            | 51,616           | 98.24%            |
| 2005               | -                   | 24,275                          | 24,025           | -                 | 48,300            | 49,679           | 97.22%            |
| 2006               | 2,783               | 21,770                          | 24,025           | -                 | 48,578            | 55,877           | 86.94%            |
| 2007 (3)           | -                   | 21,380                          | 21,760           | 2,239             | 45,379            | 62,938           | 72.10%            |

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

(1) In 2002, the Authority issued the Gulf Coast Waste Disposal Authority Bayport Area System Refunding Bonds, Series 2002. Part of the proceeds were used to advance refund a portion of the outstanding principal amount of the Series 1996 Revenue Bonds.

(2) In 2004, the Authority issued the Gulf Coast Waste Disposal Authority Bayport Area System Revenue Bonds, Series 2004.

(3) Effective January 1, 2007, the Authority reclassified all of its governmental activities to business-type activities.

**Gulf Coast Waste Disposal Authority**  
*Active Industrial and Municipal Customers*  
*Last Ten Years*

|          | <b>Governmental<br/>Activites</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Total</b> |
|----------|-----------------------------------|--|--------------|
| 1998     | 39                                | 77                                       | 116          |
| 1999     | 39                                | 89                                       | 128          |
| 2000     | 30                                | 95                                       | 125          |
| 2001     | 31                                | 99                                       | 130          |
| 2002     | 32                                | 97                                       | 129          |
| 2003     | 33                                | 100                                      | 133          |
| 2004     | 33                                | 94                                       | 127          |
| 2005     | 34                                | 109                                      | 143          |
| 2006     | 34                                | 109                                      | 143          |
| 2007 (1) | -                                 | 142                                      | 142          |

Source: Facility operations records and GCWDA 1998 - 2006 CAFR

(1) Effective January 1, 2007, the Authority reclassified all of its governmental activities to business-type activities

# **Gulf Coast Waste Disposal Authority**

## *Full-Time Equivalent Authority Employees by Function/Program*

### *Last Ten Years*

|                      | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General services     | 42          | 43          | 38          | 35          | 35          | 33          | 33          | 29          | 29          | 29          |
| Wastewater treatment | 119         | 115         | 120         | 118         | 120         | 119         | 120         | 123         | 120         | 118         |
| Solid waste disposal | <u>8</u>    | <u>4</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>3</u>    | <u>-</u>    | <u>-</u>    | <u>3</u>    |
|                      | <u>169</u>  | <u>162</u>  | <u>161</u>  | <u>156</u>  | <u>158</u>  | <u>155</u>  | <u>156</u>  | <u>152</u>  | <u>149</u>  | <u>150</u>  |

Source: Human Resources

**Gulf Coast Waste Disposal Authority**  
*Operating Indicators by Function/Program*  
*Last Seven Years (1)*

|  | 2001    | 2002    | 2003    | Fiscal Year<br>2004 | 2005    | 2006    | 2007    |
|--|---------|---------|---------|---------------------|---------|---------|---------|
| <b>Function/Program</b>                      |         |         |         |                     |         |         |         |
| Wastewater Treatment                         |         |         |         |                     |         |         |         |
| Waste water treated (MGD)                    | 55.277  | 53.767  | 50.749  | 50.010              | 43.785  | 47.827  | 44.610  |
| Permitted capacity (MGD)                     | 112.550 | 109.650 | 109.650 | 109.650             | 109.650 | 109.650 | 109.650 |
| <br>Solid Waste Disposal                     |         |         |         |                     |         |         |         |
| Nonhazardous waste<br>received (cubic yards) | 3,817   | 12,248  | 6,200   | 5,374               | 9,472   | 10,848  | 4,889.3 |
| Permitted capacity<br>(cubic yards)          | 95,000  | 95,000  | 95,000  | 95,000              | 95,000  | 95,000  | 95,000  |

MGD = million gallons per day

Source: Facility operations records

(1) The requirement for statistical data is ten years; only seven years are available at this time.

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

**Gulf Coast Waste Disposal Authority**  
*Capital Asset Statistics by Function/Program*  
*Last Seven Years (1)*

|                                    | Fiscal Year |      |      |      |      |      |      |
|------------------------------------|-------------|------|------|------|------|------|------|
|                                    | 2001        | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| <b>Function/Program</b>            |             |      |      |      |      |      |      |
| General Services                   |             |      |      |      |      |      |      |
| Administrative Building            | 1           | 1    | 1    | 1    | 1    | 1    | 1    |
| Wastewater Treatment               |             |      |      |      |      |      |      |
| Aeration basins                    | 22          | 22   | 22   | 22   | 22   | 22   | 22   |
| Aeration tanks                     | 3           | 3    | 3    | 3    | 3    | 4    | 5    |
| Aerobic digester basins            | 11          | 11   | 11   | 11   | 11   | 11   | 11   |
| Anaerobic basins                   | 1           | 1    | 1    | 1    | 1    | 1    | 1    |
| Belt presses                       | 8           | 8    | 8    | 8    | 8    | 8    | 8    |
| Clarifiers                         | 18          | 18   | 18   | 18   | 18   | 18   | 17   |
| Equalization basins                | 6           | 6    | 6    | 6    | 6    | 6    | 6    |
| Facultative basins                 | 2           | 2    | 2    | 2    | 2    | 2    | 2    |
| Gravity filters                    | 5           | 5    | 5    | 5    | 5    | 5    | 5    |
| Disinfect areas                    | 5           | 5    | 5    | 5    | 5    | 5    | 5    |
| Sewerage acceptance units          | 2           | 2    | 2    | 2    | 2    | 2    | 2    |
| Sludge surface disposal basins     | 3           | 3    | 3    | 3    | 3    | 3    | 3    |
| Solid Waste Disposal               |             |      |      |      |      |      |      |
| Land treatment units               | 2           | 2    | 2    | 2    | 2    | 2    | 2    |
| Hazardous waste disposal cells     | 6           | 6    | 6    | 6    | 6    | 6    | 6    |
| Non-hazardous waste disposal cells | 4           | 4    | 4    | 4    | 4    | 4    | 4    |

Source: Various Facilities

(1) The requirement for statistical data is ten years; only seven years are available at this time.



## **TEXAS SUPPLEMENTARY INFORMATION (TSI)**

## **Gulf Coast Waste Disposal Authority**

### ***TSI-1 Services and Rates***

***Year ended December 31, 2007***

1. Services provided by the District:
  - A. Wastewater treatment (Industrial and Municipal)
  - B. Solid waste disposal (Industrial)

**Gulf Coast Waste Disposal Authority**  
**TSI-2 Government Wide Schedule of Expenses (1)**  
**Year ended December 31, 2007**

|                                   |                             |
|-----------------------------------|-----------------------------|
| <b>Personnel services*</b>        | <b>\$ 15,683,914</b>        |
| <b>Materials and supplies</b>     | <b>7,641,205</b>            |
| <b>Utilities</b>                  | <b>9,556,160</b>            |
| <b>Repairs and maintenance</b>    | <b>2,328,246</b>            |
| <b>Professional services</b>      | <b>545,324</b>              |
| <b>Contractual services</b>       | <b>5,102,757</b>            |
| <b>General and administrative</b> | <b>2,034,507</b>            |
| <b>Special studies</b>            | <b>636,727</b>              |
| <b>Interest and amortization</b>  | <b>2,350,389</b>            |
| <b>Depreciation</b>               | <b>7,424,029</b>            |
| <b>TOTAL EXPENSES</b>             | <b><u>\$ 53,303,258</u></b> |

\*Number of persons employed by the Authority: 150 Full-Time, 2 Part-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 Waste Disposal Authority**  
*TSI-3 Schedule of Temporary Investments*  
*Year ended December 31, 2007*

|                               | Identification<br>or Certificate<br>Number | Effective Yield                   | Maturity Date | Balance at End<br>of Year<br>(Amortized<br>Cost) | *Accrued<br>Interest<br>Receivable |
|-------------------------------|--|-----------------------------------|---------------|--|------------------------------------|
| Bank of America - Master Acct | Concentration                              | 20bps off Fed<br>Funds daily rate | N/A           | \$ 1,483,465                                     | \$ -                               |
| Texpool                       | N/A  | 4.449%                            | N/A           | 6,690,594  | -                                  |
| FHLB                          | 31339YT69                                  | 2.860%                            | 1/30/2008     | 499,113  | 5,998                              |
| FNMA                          | 31359MYR8                                  | 4.400%                            | 2/4/2008      | 999,342  | 17,967                             |
| FHLB                          | 31282U3L9                                  | 4.500%                            | 3/1/2008      | 439,092  | 1,687                              |
| FHLB                          | 31339X6J8                                  | 3.020%                            | 3/12/2008     | 1,000,000  | 9,144                              |
| Total temporary investments   |  |                                   |               | <u>\$ 11,111,606</u>                             | <u>\$ 34,796</u>                   |

\*Net of Amortization/Accretion

**Gulf Coast Waste Disposal Authority**  
**TSI-5 Long-Term Debt Service Requirements by Year**  
*(All Bonded Debt Services) - By Years (Page 1 of 2)*  
**Year ended December 31, 2007**

| Due During the<br>Year Ending | Annual Requirements for All Series |                      |                       |                      |
|-------------------------------|------------------------------------|----------------------|-----------------------|----------------------|
|                               | Principal<br>Due 10/01             | Interest<br>Due 4/01 | Interest<br>Due 10/01 | Total                |
| 2008                          | \$ 2,780,000                       | \$ 1,060,250         | \$ 1,060,250          | \$ 4,900,500         |
| 2009                          | 2,910,000                          | 994,750              | 994,750               | 4,899,500            |
| 2010                          | 3,050,000                          | 925,588              | 925,588               | 4,901,176            |
| 2011                          | 3,190,000                          | 852,525              | 852,525               | 4,895,050            |
| 2012                          | 2,120,000                          | 774,975              | 774,975               | 3,669,950            |
| 2013                          | 2,230,000                          | 723,200              | 723,200               | 3,676,400            |
| 2014                          | 2,335,000                          | 668,750              | 668,750               | 3,672,500            |
| 2015                          | 2,450,000                          | 611,725              | 611,725               | 3,673,450            |
| 2016                          | 2,110,000                          | 551,875              | 551,875               | 3,213,750            |
| 2017                          | 2,215,000                          | 499,125              | 499,125               | 3,213,250            |
| 2018                          | 2,330,000                          | 443,750              | 443,750               | 3,217,500            |
| 2019                          | 2,450,000                          | 385,500              | 385,500               | 3,221,000            |
| 2020                          | 2,565,000                          | 324,250              | 324,250               | 3,213,500            |
| 2021                          | 2,695,000                          | 260,125              | 260,125               | 3,215,250            |
| 2022                          | 2,830,000                          | 192,750              | 192,750               | 3,215,500            |
| 2023                          | 2,380,000                          | 122,000              | 122,000               | 2,624,000            |
| 2024                          | 2,500,000                          | 62,500               | 62,500                | 2,625,000            |
|                               | <u>\$ 43,140,000</u>               | <u>\$ 9,453,638</u>  | <u>\$ 9,453,638</u>   | <u>\$ 62,047,276</u> |

| Due During the<br>Year Ending | Series, 2002           |                      |                       |                      |
|-------------------------------|------------------------|----------------------|-----------------------|----------------------|
|                               | Principal<br>Due 10/01 | Interest<br>Due 4/01 | Interest<br>Due 10/01 | Total                |
| 2008                          | \$ 2,380,000           | \$ 544,000           | \$ 544,000            | \$ 3,468,000         |
| 2009                          | 2,500,000              | 484,500              | 484,500               | 3,469,000            |
| 2010                          | 2,625,000              | 422,000              | 422,000               | 3,469,000            |
| 2011                          | 2,750,000              | 356,375              | 356,375               | 3,462,750            |
| 2012                          | 1,875,000              | 287,625              | 287,625               | 2,450,250            |
| 2013                          | 1,970,000              | 240,750              | 240,750               | 2,451,500            |
| 2014                          | 2,065,000              | 191,500              | 191,500               | 2,448,000            |
| 2015                          | 2,170,000              | 139,875              | 139,875               | 2,449,750            |
| 2016                          | 420,000                | 85,625               | 85,625                | 591,250              |
| 2017                          | 440,000                | 75,125               | 75,125                | 590,250              |
| 2018                          | 465,000                | 64,125               | 64,125                | 593,250              |
| 2019                          | 490,000                | 52,500               | 52,500                | 595,000              |
| 2020                          | 510,000                | 40,250               | 40,250                | 590,500              |
| 2021                          | 535,000                | 27,500               | 27,500                | 590,000              |
| 2022                          | 565,000                | 14,125               | 14,125                | 593,250              |
|                               | <u>\$ 21,760,000</u>   | <u>\$ 3,025,875</u>  | <u>\$ 3,025,875</u>   | <u>\$ 27,811,750</u> |

Gulf Coast Waste Disposal Authority  
*TSI-5 Long-Term Debt Service Requirements by Year*  
*(All Bonded Debt Services) - By Years (Page 2 of 2)*  
*Year ended December 31, 2007*

| Due During the<br>Year Ending | Series, 2004           |                      |                       |                      |
|-------------------------------|------------------------|----------------------|-----------------------|----------------------|
|                               | Principal<br>Due 10/01 | Interest<br>Due 4/01 | Interest<br>Due 10/01 | Total                |
| 2008                          | \$ 400,000             | \$ 516,250           | \$ 516,250            | \$ 1,432,500         |
| 2009                          | 410,000                | 510,250              | 510,250               | 1,430,500            |
| 2010                          | 425,000                | 503,588              | 503,588               | 1,432,176            |
| 2011                          | 440,000                | 496,150              | 496,150               | 1,432,300            |
| 2012                          | 245,000                | 487,350              | 487,350               | 1,219,700            |
| 2013                          | 260,000                | 482,450              | 482,450               | 1,224,900            |
| 2014                          | 270,000                | 477,250              | 477,250               | 1,224,500            |
| 2015                          | 280,000                | 471,850              | 471,850               | 1,223,700            |
| 2016                          | 1,690,000              | 466,250              | 466,250               | 2,622,500            |
| 2017                          | 1,775,000              | 424,000              | 424,000               | 2,623,000            |
| 2018                          | 1,865,000              | 379,625              | 379,625               | 2,624,250            |
| 2019                          | 1,960,000              | 333,000              | 333,000               | 2,626,000            |
| 2020                          | 2,055,000              | 284,000              | 284,000               | 2,623,000            |
| 2021                          | 2,160,000              | 232,625              | 232,625               | 2,625,250            |
| 2022                          | 2,265,000              | 178,625              | 178,625               | 2,622,250            |
| 2023                          | 2,380,000              | 122,000              | 122,000               | 2,624,000            |
| 2024                          | 2,500,000              | 62,500               | 62,500                | 2,625,000            |
|                               | <u>\$ 21,380,000</u>   | <u>\$ 6,427,763</u>  | <u>\$ 6,427,763</u>   | <u>\$ 34,235,526</u> |

**Gulf Coast Waste Disposal Authority**  
*TSI-6 Changes in Long-Term Bonded Debt*  
*Year ended December 31, 2007*

| Revenue<br>Bonds | Interest<br>Rate | Bonds<br>Outstanding<br>1/1/2007 | Requirements<br>Fiscal Year 2007 |                       |                       |                     | Bonds<br>Outstanding<br>12/31/07 |
|------------------|------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|---------------------|----------------------------------|
|                  |                  |                                  | Principal due<br>10/01           | Interest due<br>04/01 | Interest due<br>10/01 | Total               |                                  |
| Series 2002      | 5.0              | \$ 24,025,000                    | \$ 2,265,000                     | \$ 600,625            | \$ 600,625            | \$ 3,466,250        | \$ 21,760,000                    |
| Series 2004      | 2.0-5.0          | <u>21,770,000</u>                | <u>390,000</u>                   | <u>522,100</u>        | <u>522,100</u>        | <u>1,434,200</u>    | <u>21,380,000</u>                |
|                  |                  | <u>\$ 45,795,000</u>             | <u>\$ 2,655,000</u>              | <u>\$ 1,122,725</u>   | <u>\$ 1,122,725</u>   | <u>\$ 4,900,450</u> | <u>\$ 43,140,000</u>             |

**Paying Agent's Name & City**

Series 2002 The Bank of New York Mellon                      Dallas, TX

Series 2004 The Bank of New York Mellon                      Dallas, TX

Debt Service cash and investments balances as of December 31, 2007 \$ 4,472,483

Average annual Debt Service payment (Principal and Interest) for remaining term of all debt \$ 3,649,840

**Gulf Coast Waste Disposal Authority**  
*TSI-7 Comparative Schedule of Revenues and Expenditures*  
**Governmental Funds**  
*For Five Years ended December 31, 2007*

|  | AMOUNTS  |                |               |               |               |
|--|----------|----------------|---------------|---------------|---------------|
|  | 2007 (1) | 2006           | 2005          | 2004          | 2003          |
| <b>Revenues</b>                                      |          |                |               |               |               |
| Services to industries                               | \$ -     | \$ 22,623,476  | \$ 19,768,670 | \$ 20,995,183 | \$ 19,439,687 |
| Services to municipalities                           | -        | 1,986,211      | 2,011,857     | 2,035,898     | 1,706,408     |
| Intergovernmental                                    | -        | 3,299,100      | 2,889,327     | 3,071,938     | 2,905,339     |
| Investment income                                    | -        | 451,777        | 186,153       | 179,522       | 173,896       |
| Other  | -        | 254,493        | 28,869        | 192,772       | 322,427       |
| Total revenues                                       | -        | 28,615,057     | 24,884,876    | 26,475,313    | 24,547,757    |
| <b>Expenditures</b>                                  |          |                |               |               |               |
| General services                                     | -        | 4,879,389      | 4,648,414     | 4,723,388     | 4,478,754     |
| Wastewater   | -        | 20,774,730     | 19,019,769    | 18,505,531    | 16,785,155    |
| Solid waste  | -        | 1,023,159      | 889,273       | 1,016,103     | 967,336       |
| Capital outlay                                       | -        | 3,189,371      | 650,806       | 2,556,302     | 1,943,884     |
| Debt service   | -        | 293,253        | -             | -             | -             |
| Total expenditures                                   | -        | 30,159,902     | 25,208,262    | 26,801,324    | 24,175,129    |
| Excess (deficiency) of<br>revenues over expenditures | \$ -     | \$ (1,544,845) | \$ (323,386)  | \$ (326,011)  | \$ 372,628    |
| Total active industrial and<br>municipal customers   | -        | 34             | 34            | 33            | 33            |

(1) Effective January 1, 2007, the Authority converted all of its governmental fund to enterprise funds, therefore there are no values for 2007



| PERCENT OF TOTAL REVENUES |         |        |        |         |
|---------------------------|---------|--------|--------|---------|
| 2007                      | 2006    | 2005   | 2004   | 2003    |
|                           | 79.4%   | 79.4%  | 73.4%  | 79.2%   |
|                           | 8.1%    | 8.1%   | 6.4%   | 7.0%    |
|                           | 11.7%   | 11.6%  | 11.0%  | 11.8%   |
|                           | 0.7%    | 0.7%   | 0.7%   | 0.7%    |
|                           | 0.1%    | 0.1%   | 1.2%   | 1.3%    |
|                           | 100.00% | 99.90% | 92.70% | 100.00% |
|                           | 17.1%   | 18.7%  | 17.8%  | 18.2%   |
|                           | 72.6%   | 76.4%  | 69.9%  | 68.4%   |
|                           | 3.6%    | 3.6%   | 3.8%   | 3.9%    |
|                           | 11.1%   | 2.6%   | 9.7%   | 7.9%    |
|                           | 1.0%    |        |        |         |
|                           | 105.4%  | 101.3% | 101.1% | 98.4%   |
|                           | -5.4%   | -1.4%  | -8.4%  | 1.6%    |

**Gulf Coast Waste Disposal Authority**  
**TSI-7 Comparative Schedule of Revenues and Expenses**  
**Enterprise Funds**  
**For Five Years ended December 31, 2007**

|  | AMOUNTS       |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
|  | 2007 (1)      | 2006          | 2005          | 2004          | 2003          |
| <b>Operating revenues</b>                          |               |               |               |               |               |
| Charges for services                               | \$ -          | \$ 27,743,522 | \$ 24,835,477 | \$ 25,691,045 | \$ 21,964,502 |
| Services to industries                             | 48,098,795    | -             | -             | -             | -             |
| Services to municipalities                         | 2,166,721     | -             | -             | -             | -             |
| Other  | 10,628,131    | 176,827       | 302,624       | 288,736       | 278,275       |
| Total revenues                                     | 60,893,647    | 27,920,349    | 25,138,101    | 25,979,781    | 22,242,777    |
| <b>Expenditures</b>                                |               |               |               |               |               |
| Cost of sales and services                         | 40,195,292    | 20,501,522    | 18,065,988    | 17,571,786    | 15,663,555    |
| Administrative                                     | 2,563,430     | 711,167       | 731,830       | 757,175       | 904,531       |
| Depreciation                                       | 7,176,412     | 4,277,218     | 3,931,211     | 3,888,865     | 3,662,037     |
| Total expenditures                                 | 49,935,134    | 25,489,907    | 22,729,029    | 22,217,826    | 20,230,123    |
| Operating income                                   | 10,958,513    | 2,430,442     | 2,409,072     | 3,761,955     | 2,012,654     |
| <b>Non-Operating Revenues (Expenses):</b>          |               |               |               |               |               |
| Interest income                                    | 3,125,688     | 1,363,854     | 1,231,697     | 914,478       | 696,173       |
| Interest expense                                   | (2,366,136)   | (2,356,928)   | (2,466,289)   | (1,992,906)   | (1,862,535)   |
| Bond issuance costs                                | 40,267        | (91,498)      | (201,015)     | (1,411,434)   | (600,705)     |
| Gain (loss) on disposal of capital asset           | (8,801)       | (58,856)      | (24,230)      | 58,858        | (8,420)       |
| Total non-operating revenues (expenses)            | 791,018       | (1,143,428)   | (1,459,837)   | (2,431,004)   | (1,775,487)   |
| Net Income   | \$ 11,749,531 | \$ 1,287,014  | \$ 949,235    | \$ 1,330,951  | \$ 237,167    |
| Total active industrial and municipal participants | 142           | 109           | 109           | 94            | 100           |

(1) Effective January 1, 2007, the Authority converted all of its governmental fund to enterprise funds and charges for services were separated into services to industries and services to municipalities

| PERCENT OF TOTAL REVENUES |        |        |        |        |
|---------------------------|--------|--------|--------|--------|
| 2007                      | 2006   | 2005   | 2004   | 2003   |
|                           | 99.4%  | 98.8%  | 98.9%  | 98.7%  |
| 78.9%                     |        |        |        |        |
| 3.6%                      |        |        |        |        |
| 17.5%                     | 0.6%   | 1.2%   | 1.1%   | 1.3%   |
| 100.0%                    | 100.0% | 100.0% | 100.0% | 100.0% |
| 66.0%                     | 73.4%  | 71.9%  | 67.6%  | 70.4%  |
| 4.2%                      | 2.5%   | 2.9%   | 2.9%   | 4.1%   |
| 11.8%                     | 15.3%  | 15.6%  | 15.0%  | 16.5%  |
| 81.9%                     | 91.2%  | 90.4%  | 85.5%  | 90.9%  |
| 18.1%                     | 8.8%   | 9.6%   | 14.5%  | 9.1%   |
| 5.1%                      | 4.9%   | 4.9%   | 3.5%   | 3.1%   |
| -3.9%                     | -8.4%  | -9.8%  | -7.7%  | -8.4%  |
| 0.1%                      | -0.3%  | -0.8%  | -5.4%  | -2.7%  |
|                           | -0.2%  | -0.1%  | 0.2%   |        |
| 1.3%                      | -4.0%  | -5.8%  | -9.4%  | -8.0%  |
| 19.4%                     | 4.8%   | 3.8%   | 5.0%   | 1.1%   |

**Gulf Coast Waste Disposal Authority**  
**TSI-8 Board Members and Administrative Personnel**  
**Year ended December 31, 2007**

|   |  |
|---|--|
| Complete District Mailing Address:  | 910 Bay Area Boulevard, Houston, Texas 77058 |
| District Business Telephone Number:                                       | (281) 488-4115                               |
| Submission Date of the most recent District Registration Form             |  |
| (TWC Sections 36.054 and 49.054):   | 03/07/06                                     |
| Limit on Fees of Office that a Director may receive during a fiscal year: | \$7,200                                      |
| (Set by Board Resolution - TWC Section 49.060)                            |  |

| <u>NAMES:</u>             | <u>Term of Office<br/>or<br/>Date Hired</u> | <u>Elected/<br/>Appointed</u> | <u>Fees of Office<br/>Paid<br/>12/31/07</u> | <u>Expenses<br/>Reimbursed<br/>12/31/07</u> | <u>Title at Year End</u> |
|---------------------------|---|-------------------------------|---|---|--------------------------|
| <b>BOARD MEMBERS:</b>     |   |                               |   |   |                          |
| J. Mark Schultz, Chairman | 09/01/06 - 08/31/08                         | Appointed (2)                 | \$ 7,200                                    | \$ 12,884                                   | Chairman                 |
| Rita Standridge           | 09/01/06 - 08/31/08                         | Appointed (3)                 | 7,200                                       | 10,185                                      | Vice Chair               |
| Irvin W. Osborne-Lee      | 01/19/00-08/31/01*                          | Appointed (3)                 | 6,150                                       | 9,030                                       | Treasurer                |
| Sam Dell'Olio             | 09/01/00-08/31/02*                          | Appointed (1)                 | 4,200                                       | 6,258                                       | Secretary                |
| Zoe Milian Barinaga       | 09/01/01-08/31/03*                          | Appointed (1)                 | 1,500                                       | 330   | Member                   |
| Ron Crowder               | 09/01/05-08/31/07*                          | Appointed (3)                 | 1,950                                       | 785   | Member                   |
| Shirley Seale             | 09/01/00-08/31/02*                          | Appointed (1)                 | 4,800                                       | 7,426                                       | Member                   |
| Franklin D.R. Jones, Jr.  | 09/01/07 - 08/31/09                         | Appointed (2)                 | 4,950                                       | 6,899                                       | Member                   |
| James A. Matthews         | 09/01/07 - 08/31/09                         | Appointed (2)                 | 5,700                                       | 6,698                                       | Member                   |

\*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

**KEY ADMINISTRATIVE PERSONNEL:**

|                  |          |     |         |                 |
|------------------|----------|-----|---------|-----------------|
| Charles W. Ganze | 03/19/73 | N/A | 287,104 | General Manager |
|------------------|----------|-----|---------|-----------------|

**CONSULTANTS:**

|                            |          |     |        |                   |
|----------------------------|----------|-----|--------|-------------------|
| Olson and Olson            | 01/01/80 | N/A | 78,380 | General Counsel   |
| McCall, Parkhurst & Horton | 01/01/73 | N/A | -      | Bond Counsel      |
| Lawrence R. Catuzzi        | 01/01/73 | N/A | 10,357 | Financial Advisor |
| Null-Lairson               | 10/01/06 | N/A | 60,000 | External Auditors |

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL**

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To the Audit Committee, Board of Directors, and  
General Manager of Gulf Coast Waste Disposal Authority

In planning and performing our audit of the financial statements of Gulf Coast Waste Disposal Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Gulf Coast Waste Disposal Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

#### 06-01 - Disaster Recovery Plan

Condition: The Authority has not incorporated an offsite storage facility as part of its disaster recovery plan.

Effect: Risk of financial data loss.

Recommendation: Develop and implement a disaster recovery plan that includes an offsite storage facility to protect financial records.

#### 07-01- Travel Reimbursements

Condition: We tested 22 travel reimbursements for compliance with the Authority's travel policy dated May 1998. Documentation supporting the following disbursements did not comply with the policy as stated.

- A. Seven reimbursements tested did not have supporting documentation listing the parties involved.
- B. Two meal reimbursements were only supported by handwritten receipts (\$110 and \$100).
- C. Three expenses included Texas hotel occupancy taxes.

To the Audit Committee, Board of Directors and  
General Manager of Gulf Coast Waste Disposal Authority

D. One expense was reimbursed without the required approval signature.

Effect: Risk that expenses are not adequately supported and in compliance with written policy

Recommendation: Review the travel policy and current procedures and make any necessary changes to ensure compliance with the policy.

During our audit we became aware of opportunities for strengthening internal controls. The items below are considered to be control deficiencies.

#### 07-02 – Fraud Policy Education

Condition: Only employees who supervise employees were required to attend the fraud policy training held by the Authority.

Effect: Risk that not all employees are aware of the policy

Recommendation: We recommend that the remaining staff be trained on the policy as well.

#### 07-03 - Purchasing

Condition: We tested 36 accounts payable disbursements for compliance with the Authority's purchasing policy. One expenditure tested was over \$50,000 and per the Authority's purchasing policy requires board approval. The approval of the Board was not documented in the system.

Effect: Risk that expenses are not supported by Board approval as required by Authority policy

Recommendation: Document the board approval date on purchase order input screen.

#### 07-04 - Accounts Payable

Condition: Authority controls do not include a periodic review of vendor list changes made by accounts payable personnel.

Effect: Risk that fictitious vendors are entered into the Authority's purchasing system

Recommendation: A periodic review of all vendor additions along with the amount paid should be performed by the Manager of Financial Services.

#### 07-05 - Accounts Receivable

Condition: Adjustments to accounts receivable are recorded by individuals who also have billing responsibilities.

Effect: Lack of segregation of duties

Recommendation: Review of a listing of all non-cash adjustments on a monthly basis by someone not involved in the booking of accounts receivable. The review should be documented and signed by the reviewer.

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

**NULL - Lairson, PC**

Houston, Texas  
April 10, 2008



Created by the Texas Legislature in 1969, Gulf Coast Waste Disposal Authority (GCA) is a non-tax-supported unit of local government dedicated to waste management activities. The Authority's primary jurisdiction, and the area from which the nine member Board of Directors is selected, is comprised of Harris, Chambers and Galveston counties. The Authority may provide services in any part of the State of Texas but coordinates its activities with any other authorities or districts in those areas.

GCA owns and operates four industrial wastewater treatment facilities that process liquid wastes from more than 60 petrochemical plants. Three of the treatment facilities are in Harris and Galveston Counties. The fourth is located in Odessa, Texas. The Authority also operates a regional sewage treatment plant located in Friendswood, Texas. An industrial solid waste landfill is located in the Texas City area and a trucked-in liquid waste receiving station is operated near the Houston Ship Channel.

Gulf Coast Authority focuses on providing cost-effective wastewater treatment and serving as a resource for continued economic development.



Gulf Coast Waste Disposal Authority

Gulf Coast Waste Disposal Authority  
910 Bay Area Boulevard • Houston, Texas 77058  
Phone: 281-488-4115 • [www.gcwda.com](http://www.gcwda.com)