

Gulf Coast Waste Disposal Authority  
Houston, Texas



## Comprehensive Annual Financial Report

Year Ended December 31, 2006

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Prepared by 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

March 9, 2007

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, 2006.

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 and the State Auditor. 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, 2006. 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 industry 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 industrial development bond financing of projects for other entities.

Each year the Authority's Board of Directors adopts an annual budget for the General Fund. 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.

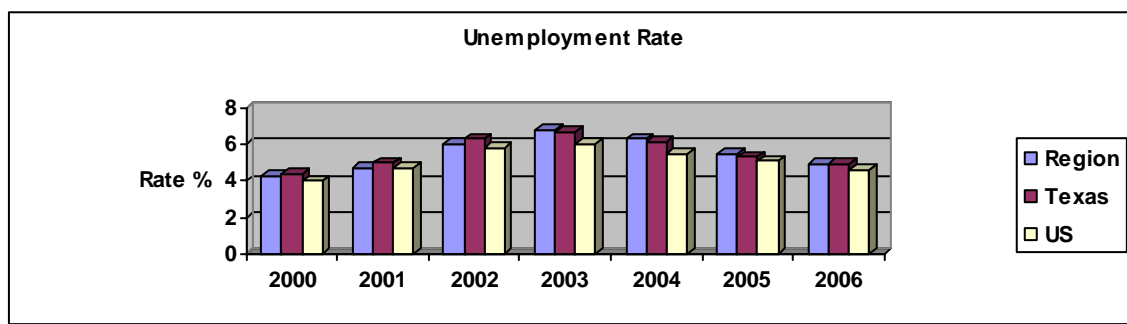
During 2006 the Authority operated four industrial wastewater treatment facilities, one municipal sewage treatment plant, an industrial solid waste landfill, a pipeline, a receiving station for the collection of wastewater from area portable toilet companies as well as other wastewater customers, and 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 leads the nation in petrochemical manufacturing and refining, and consequently ranks first in the manufacture of agricultural chemicals, fertilizers, and pesticides. Houston, located in Harris County, is the world's primary producer of oil-field equipment.

As stated in the December, 2006 issue of Houston – The Economy at a Glance, a publication of the Greater Houston Partnership, the 10-county Houston metropolitan area is predicted to see a 2.6 percent job growth in 2007. Stimulants to the local economy are predicted to be the weakening of the dollar as it benefits Houston's export of goods and services and the relatively high energy prices which helps Houston's energy sector. Job growth in this area is not expected to be as high as in the past. A growth of 7.9 percent for 2007 as opposed to 12.2 percent in 2006 is expected due to a shortage of qualified workers in the oil and gas sector. Also, contributing to the slow down in growth is the indication that oil demand is easily being met by the worldwide supply.

The following chart shows the Region's unemployment rate over the past seven 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. The Bayport Area System Facility, which is owned and operated by the Authority, is working to meet the permitting requirement by the end of 2007. In doing so, the Bayport Facility is undergoing significant capital improvements. The completion of these capital improvements is projected to cost \$3,000,000. In August, 2004, the Authority issued Bayport Area System Revenue Bonds, Series 2004 to fund the majority of the Facility's capital improvements.

The Authority operated two other industrial treatment plants, the Washburn Tunnel and 40-Acre Facilities, that are within the nonattainment area. These Facilities are funded by participant reimbursements or on a cost-reimbursement basis. The Washburn Tunnel Facility is currently undergoing significant capital improvements in order to meet its permitting requirement by the end of the first quarter of 2007. The completion of these capital improvements is projected to cost \$2,500,000 in total. Funding for its capital improvements has come from a loan from the general fund and in the form of an equipment rental contract from an outside vendor. The 40-Acre Facility is also undergoing capital improvements in construction of an activated sludge treatment unit. Funding for these capital improvements are being paid solely by one of the Facility's participants.

During 2006, 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 Award in 2006. The Platinum award is given to a facility that has had perfect operating permit compliance for five consecutive years. 2006 was the second time in a row that the Blackhawk Facility received the Platinum award thus recognizing that Blackhawk has gone ten years without an operating permit violation. The 40-Acre and Bayport Facilities received the Gold Award in 2006 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 2006 which recognizes a plant that has had no more than five permit excursions during the year.

## Excellence in Financial Reporting

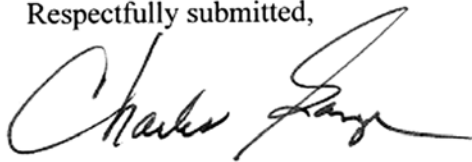
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to Gulf Coast Waste Disposal Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005. This was the 19th consecutive year that 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.

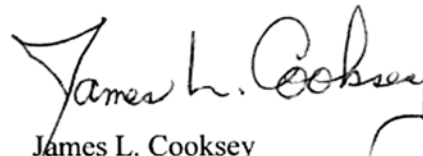
### *Acknowledgements*

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 L. 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, 2005

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.



President

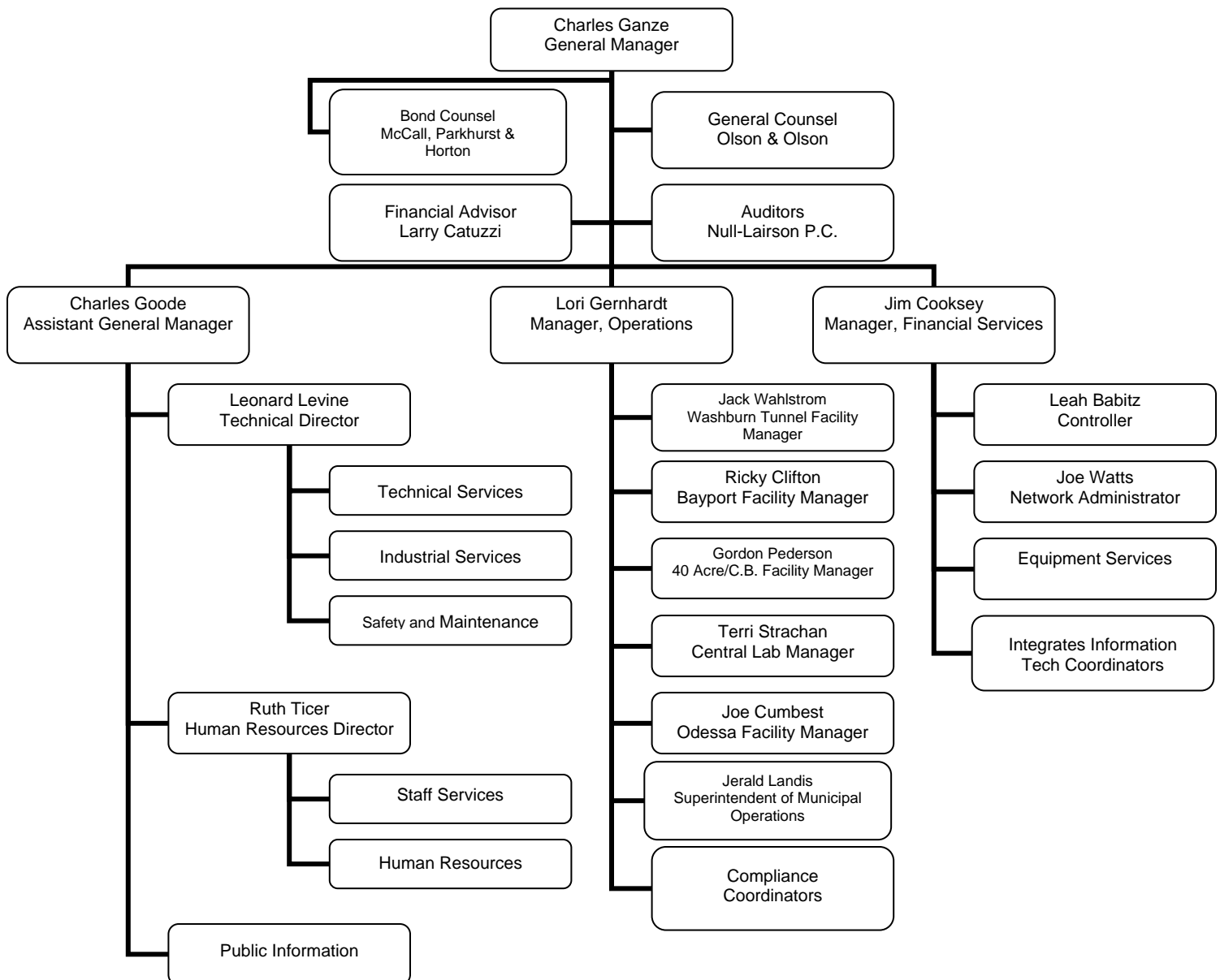
Executive Director

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# GULF COAST WASTE DISPOSAL AUTHORITY

## ORGANIZATIONAL CHART

December 31, 2006



# **GULF COAST WASTE DISPOSAL AUTHORITY**

**BOARD OF DIRECTORS**

December 31, 2006

## **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, 2006

### **INDUSTRIAL DEVELOPMENT BOARD**

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

### **PUBLIC POLICY COMMITTEE**

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

### **AUDIT COMMITTEE**

Frank Jones – Chairman  
James “Ossie” 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 “Ossie” 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, 2006

General Manager

CHARLES GANZE

Assistant General Manager

CHARLES F. GOODE

Manager of Financial Services

JAMES L. COOKSEY

Manager of Operations

LORI GERNHARDT

Controller

LEAH M. BABITZ, CPA

Human Resources Director

RUTH G. TICER

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf Coast Waste Disposal Authority, Texas (the "Authority") as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basis financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 statements and schedules, 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. The combining fund statements and schedules have been subjected to 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 section, other supplementary information, statistical section, and Texas supplementary information 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, P.C.*

Houston, Texas  
March 9, 2007

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# GULF COAST WASTE DISPOSAL AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

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, 2006. 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 at the front of this report. The amounts in the text of the MD&A are rounded to the nearest one hundred dollars.

### FINANCIAL HIGHLIGHTS

- Construction in progress decreased by \$3,722,800
- Net assets increased by \$4,315,600
- Revenues increased by \$9,562,300 and expenses increased by \$4,713,700

### 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) government-wide 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).

Both the government-wide financial statements distinguish functions of the Authority that are principally supported by reimbursement of expenditures and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority include general services, wastewater treatment, and solid waste disposal. The business-type activities of the Authority include wastewater treatment and solid waste disposal. The government-wide financial statements can be found after the MD&A of this report.

**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. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Washburn Tunnel Facility, and 40-Acre Facility which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the Combining Statements and Schedules section of the report. The basic governmental fund financial statements can be found after the MD&A of this report.

**Proprietary funds.** The Authority maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority's major enterprise funds are Bayport Area System and Central Laboratory. Vince Bayou Facility, Washburn Tunnel Pipeline Services, and Municipal Operations are presented as nonmajor funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Authority's various functions. 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. Because the services for pretreatment legislation for governmental relations predominantly benefit business-type functions, they have been included within business-type activities in the government-wide financial statements. Services of the remaining internal service funds predominantly benefit governmental functions and are included within governmental activities in the government-wide financial statements.

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 Combined Statements and Schedules section of this report. The basic proprietary fund 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 government-wide 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 government-wide and fund 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 statements and schedules of this report.

The schedule of revenues, expenditures, and changes in fund balance – financial plan (non-appropriated) and actual – general fund, combining statements referred to earlier in connection with nonmajor funds and internal service funds are presented immediately preceding the other supplementary information on conduit debt. These combining statements and schedules 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 \$80,894,600 at the close of the 2006 fiscal year.

A large portion of the Authority's net assets (50.5%) reflect investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. 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

##### Net Assets

December 31, 2006

With comparative totals for December 31, 2005

TABLE A-1

	Governmental activities		Business - type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 20,891,707	\$ 15,047,930	\$ 40,106,195	\$ 44,933,550	\$ 60,997,902	\$ 59,981,480
Capital assets	25,606,724	24,362,755	53,958,258	50,498,257	79,564,982	74,861,012
Total assets	46,498,431	39,410,685	94,064,453	95,431,807	140,562,884	134,842,492
Long term liabilities	4,989,181	2,430,382	47,163,460	47,163,460	52,152,641	49,593,842
Other liabilities	4,566,495	3,045,832	2,949,188	5,623,846	7,515,683	8,669,678
Total liabilities	9,555,676	5,476,214	50,112,648	52,787,306	59,668,324	58,263,520
Net assets:						
Invested in capital assets, net of related debt	24,213,172	24,362,755	16,618,976	13,120,166	40,832,148	37,482,921
Restricted			4,168,561	4,129,420	4,168,561	4,129,420
Unrestricted	12,729,583	9,571,716	23,164,268	25,394,915	35,893,851	34,966,631
Total net assets	\$ 36,942,755	\$ 33,934,471	\$ 43,951,805	\$ 42,644,501	\$ 80,894,560	\$ 76,578,972



An additional portion of the Authority's net assets (5.2%) represent resources that are subject to restrictions for debt service. The remaining balance of *unrestricted net assets* (\$35,893,900) may be used to meet the Authority's ongoing liabilities.

For Governmental activities, current and other assets increased by \$5,843,800. The General Fund Interfund loans receivable increased by over \$2,334,000. The increase is due to a new loan to Washburn Tunnel in the amount of \$2,793,000 (\$3,000,000 loan less principal repayments made during the year of \$207,000). The offsetting decrease in the interfund loan balance in 2006 was due to principal payments made by the facilities. This amount included a one time payment from the Central Lab Facility of \$300,000. Governmental activities assets also increased as the result of the Washburn Tunnel Facility entering into a loan with its participants to finance the air compliance construction. At year end the balance due on the loan was \$2,793,100.

For business-type activities, current and other assets decreased \$4,827,400. Capital asset spending at the Bayport Facility significantly increased during the year resulting in a decrease in restricted assets by \$1,746,300 to \$10,462,000 at the end of the year. Restricted assets consist of unspent bond proceeds and future debt service reserves. Unspent bond proceeds, in the amount of \$9,991,600 are included in restricted assets of the Bayport Area System Fund. Business-type activities unrestricted net assets decreased \$2,230,600.

Construction in progress decreased \$3,722,800 over the prior year. Governmental Activities had an increase in construction in progress of \$3,485,500 as a result of the construction of infrastructure to meet air compliance permit requirements at the Washburn Tunnel and 40-Acre Facilities. Construction in process in the Business-type activities decreased \$7,208,400 during 2006 as a result of \$9,220,200 being capitalized upon the completion of the first step air emission Tank 2004 and \$5,062,700 capitalized upon completion of 2.5 miles of biosan pipeline improvements. Additional spending in construction in process was the result of continued construction at the Bayport Facility in connection with the belt press equipment and other smaller projects. Capital assets, net of depreciation, increased by \$8,426,800. This increase was a result of the capitalization of the above mentioned assets during 2006.

Governmental activities noncurrent liabilities increased by \$2,558,800 over 2005. This increase was attributable to the promissory note of \$3,000,000 the General Fund negotiated with a local financial institution to finance the interfund loan with the Washburn Tunnel Facility.

As of December 31, 2006, the Authority reported a net asset balance of \$12,729,600 in unrestricted governmental activities and \$23,164,300 in unrestricted business-type activities. Government-wide net asset balances increased by \$4,315,600 for the year. Governmental activities unrestricted net assets increased by \$3,157,900. Business-type activities unrestricted net assets decreased \$2,230,700 from the 2005 fiscal year.

**Gulf Coast Waste Disposal Authority**

**Changes in Net Assets**

**Year Ended December 31, 2006**

**With comparative totals for Year Ended December 31, 2005**

**TABLE A-2**

	<b>Governmental activities</b>		<b>Business - type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 27,956,416	\$ 24,698,723	\$ 27,920,349	\$ 25,138,101	\$ 55,876,765	\$ 49,836,824
Total program revenues	27,956,416	24,698,723	27,920,349	25,138,101	55,876,765	49,836,824
General revenues:						
Unrestricted investment earnings	676,909	295,488	1,377,016	1,236,045	2,053,925	1,531,533
Capital contributions	3,000,000				3,000,000	
Total revenues	31,633,325	24,994,211	29,297,365	26,374,146	60,930,690	51,368,357
Expenses:						
General services	5,061,636	4,625,778			5,061,636	4,625,778
Wastewater treatment	22,194,821	20,656,707	27,990,061	25,417,276	50,184,882	46,073,983
Solid waste disposal	1,368,584	1,201,633		39	1,368,584	1,201,672
Total expenses	28,625,041	26,484,118	27,990,061	25,417,315	56,615,102	51,901,433
Change in net assets before transfers	3,008,284	(1,489,907)	1,307,304	956,831	4,315,588	(533,076)
Transfers		266,990		(266,990)		
Change in net assets	3,008,284	(1,222,917)	1,307,304	689,841	4,315,588	(533,076)
Net assets, Beginning	33,934,471	35,157,388	42,644,501	41,954,660	76,578,972	77,112,048
Net assets, Ending	\$ 36,942,755	\$ 33,934,471	\$ 43,951,805	\$ 42,644,501	\$ 80,894,560	\$ 76,578,972

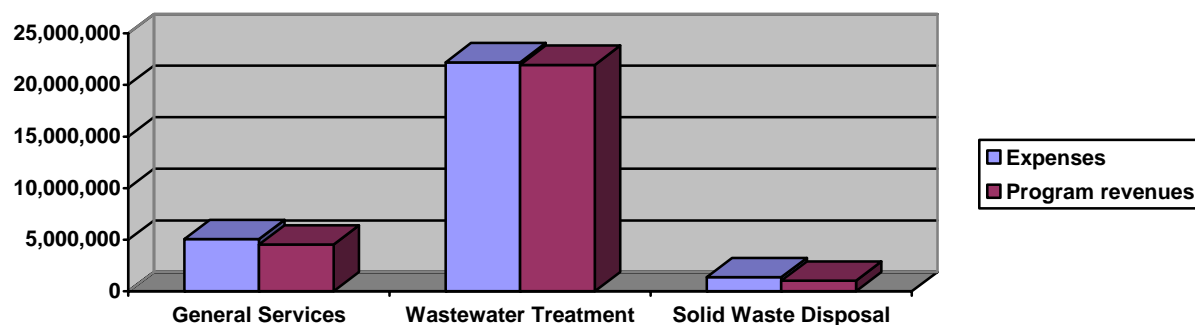
Charges for services for governmental activities increased by \$3,257,700 compared to the prior year. For governmental activities, as shown in the Statement of Activities, charges for services increased in General Services by \$789,500, wastewater treatment facilities charges increased by \$2,343,900 and solid waste disposal by \$124,300. A significant portion (\$1,574,400) of the increase in the wastewater treatment charges were the reimbursement from the participant at the 40-Acre Facility for the construction costs associated with the oxygen activated sludge system. The Washburn Tunnel Facility revenues increased by \$206,900 as a result of the loan repayments from the Participants. The remaining increases in wastewater treatment were due to higher operating and electricity pass-through costs associated with the Washburn Tunnel Facility and 40-Acre Facility. The General Fund charges for services include financing fees which increased by \$315,000 compared to the prior year. The Authority's financing fees are derived from installment sales agreements in connection with private activity or conduit debt issued for qualifying projects and subject to Federal and State limits.

The capital contributions under the Governmental Activities are the proceeds of the loan by the General Fund to finance the interfund loan with the Washburn Tunnel Facility.

Investment earnings increased, by \$522,400. 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 increases in 2006 have impacted the fixed income security market values. Inclusive of mark to market adjustments at year end, investment earnings averaged 4.32% for the year as compared to 3.05% for the previous year.

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### Expenses and Program Revenues – Governmental Activities

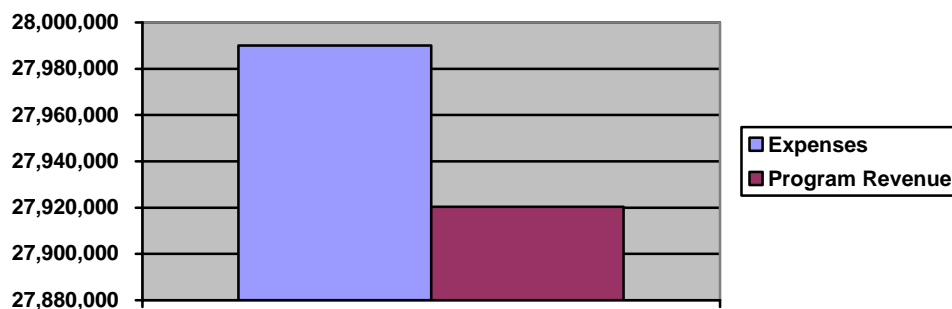


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General services expenses, comprising of costs of the Authority's General Fund, increased \$435,900 compared to the prior year. Other programs classified under governmental activities are those wastewater treatment and solid waste disposal facilities with contractual provisions for reimbursement from participants. These cost-reimbursement facilities are reported within the special revenue fund types. Expenses for governmental activities, wastewater treatment increased by \$1,538,100 compared to the prior year. During the year ended December 31, 2006, the Washburn Tunnel facility incurred \$1,585,100 in capital outlay costs related to construction on infrastructure to meet air compliance permit requirements.

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### Expenses and Program Revenues – Business-type Activities



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The Authority's major business-type activities are the Bayport Area System and the Central Laboratory Facility. These operations have rates and spending plans established by the Board of Directors. They are reported in the enterprise section of this report.

The Bayport Area System Fund operating revenues increased \$2,782,200 compared to 2005. For 2006, the Authority's Board of Directors approved an amendment to the Rate Order to include a pass-through charge for customer analytical cost and natural gas distribution charges. The analytical charges reflect direct lab costs incurred by each customer for compliance monitoring and process monitoring. The natural gas charges are part of the additional emissions controls required by the Authority's air permits.

The passing through of the laboratory charges to the customers resulted in \$1,318,400 in additional revenue. The remainder of the increase was attributable to higher electrical costs which are directly passed through to the customers. Bayport incurred increased operating costs during 2006. These consisted of an increase in the costs for chemicals of \$536,400, increased electrical costs of \$1,571,600 and an increase in depreciation expense of \$342,300 due to the capitalization of several projects as previously mentioned.

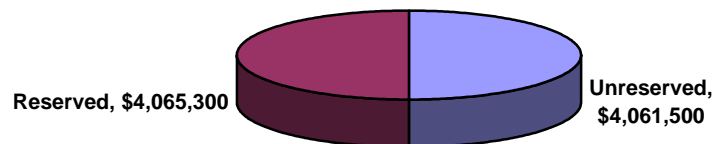
**Financial Analysis of the Authority's Funds.** As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of end of the 2006 fiscal year, the Authority's governmental funds reported combined ending fund balance of \$8,126,800, an increase of \$1,455,200 in comparison with the prior year. The majority of this total amount (\$4,061,500) constitutes *unreserved fund balance*, which is available for spending at the discretion of the Board of Directors. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to fund capital projects.

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#### Governmental Funds Ending Fund Balance



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The General Fund provides various support activities to the Facilities, including management, engineering, accounting, computer systems support, support staff, human resources and municipal management services. User charges, management fees and bond issuance financing fees provide the major sources of revenue. At the end of the current fiscal year, unreserved fund balances of the General Fund were \$6,851,600

**Proprietary funds.** The Authority's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in the proprietary funds at the end of the year were \$22,964,000. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the Authority's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The Authority's investments in capital assets for its governmental and business type activities as of December 31, 2006, were \$79,565,000 (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 6.3% (a 5.1% increase for governmental activities and a 6.9% increase for business-type activities).

Major capital asset outlays during the fiscal year 2006 included the following:

- Continuation of Plant improvements at the Bayport Facility:
 

Emission Control Project	\$5,729,600
Biosan Pipeline Improvements	917,000
Belt Press Expansion	333,900
- Continuation of Plant improvements at the Washburn Tunnel Facility:
 

Emission Control Project	\$1,585,100
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- Plant improvements at the 40-Acre Facility:
 

Emission Control Project	\$1,575,200
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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.

Washburn Tunnel and 40-Acre Facilities are reported in the Special Revenue section of this report. The Bayport Facility is reported in the proprietary Funds Section.

### Gulf Coast Waste Disposal Authority

*Capital Assets (net of depreciation)*

**TABLE A-3**

*December 31, 2006*

*With comparative totals for December 31, 2005*

	Governmental activities		Business - type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,167,441	\$ 4,167,441	\$ 907,489	\$ 907,489	\$ 5,074,930	\$ 5,074,930
Buildings	444,290	500,275			444,290	500,275
Waste treatment facilities and equipment	15,923,795	18,093,175	40,464,276	29,795,926	56,388,071	47,889,101
Administrative furniture and equipment	1,123,872	1,140,069			1,123,872	1,140,069
Construction in progress	3,947,326	461,795	12,586,493	19,794,844	16,533,819	20,256,639

Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

## Debt

At the end of the current fiscal year, the Authority had \$45.8 million in bonds outstanding compared to \$48.3 million bonds last year – a decrease of 5.2% as shown below. Also at December 31, 2006, the Authority had \$2.8 million outstanding on a promissory note as shown below.:

	December 31,	
	2006	2005
Bay Area System Revenue Bonds	\$45,795,000	\$48,300,000
Promissory Note*	2,783,300	
Totals	<u>\$48,578,300</u>	<u>\$48,300,000</u>

\*In July 2006 the Authority negotiated a promissory note agreement with a financial institution for a \$3 million loan. The promissory note was to be 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 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's Employees' Health Care Internal Service Fund, which is self-funded up to specific and aggregate stop-loss limits, 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 2006, net assets in the Employees' Health Care Internal Service Fund were \$988,800. 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.

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, an enterprise fund, is continuing to move forward with construction upgrades and is expected to meet current permitting requirements for air emission control by the end of 2007. Funded largely by proceeds from the Bayport 2004 Bond Series, planned facility upgrades include first-step emission controls, oxygen injection and cooling tower improvements. The Special Revenue funds or those facilities operating on a cost reimbursement basis (40-Acre and Washburn Tunnel) have commenced construction. The Washburn Tunnel Facility is expected to meet permit requirements during the first quarter of 2007. The 40-Acre Facility participants are proceeding with the engineering and construction of an activated sludge treatment unit, to be located at the 40-Acre Facility. Construction should be completed by the end of 2008.

## Requests for Information

The 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, 2006**

**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Equity in pooled cash and investments	\$ 14,016,541	\$ 20,281,377	\$ 34,297,918
Marketable securities	16,388		16,388
Receivables	3,812,749	4,793,610	8,606,359
Internal balances	172,461	(172,461)	
Prepays and other assets	80,432	84,643	165,075
Deferred charges		958,870	958,870
Restricted assets:			
Cash and cash equivalents		10,462,061	10,462,061
Marketable securities		3,640,559	3,640,559
Accrued interest		57,536	57,536
Noncurrent loan receivable:			
Receivable within one year	525,438		525,438
Receivable in more than one year	2,267,698		2,267,698
Capital assets:			
Land	4,167,441	907,489	5,074,930
Construction in progress	3,947,326	12,586,493	16,533,819
Depreciable plant and equipment, net	17,491,957	40,464,276	57,956,233
<b>Total assets</b>	<b>46,498,431</b>	<b>94,064,453</b>	<b>140,562,884</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	2,814,703	1,285,776	4,100,479
Wages payable	146,939	114,229	261,168
Retainage		906,642	906,642
Accrued bond interest		561,362	561,362
Unearned revenue	151,248	81,179	232,427
Advance for working capital	1,453,605		1,453,605
Noncurrent liabilities:			
Due within one year	1,688,956	2,817,171	4,506,127
Due in more than one year	3,300,225	44,346,289	47,646,514
<b>Total liabilities</b>	<b>9,555,676</b>	<b>50,112,648</b>	<b>59,668,324</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	24,213,172	16,618,976	40,832,148
Restricted for debt service		4,168,561	4,168,561
Unrestricted	12,729,583	23,164,268	35,893,851
<b>Total net assets</b>	<b>\$ 36,942,755</b>	<b>\$ 43,951,805</b>	<b>\$ 80,894,560</b>

See Notes to Financial Statements

**Gulf Coast Waste Disposal Authority**  
**Statement of Activities**  
**Year ended December 31, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General services	\$ 5,061,636	\$ 4,998,422	\$
Wastewater treatment	22,194,821	21,947,181	3,000,000
Solid waste disposal	1,368,584	1,010,813	
<b>Total governmental activities</b>	<b>28,625,041</b>	<b>27,956,416</b>	<b>3,000,000</b>
<b>Business-type Activities</b>			
Wastewater treatment	27,990,061	27,920,349	
<b>Total business-type activities</b>	<b>27,990,061</b>	<b>27,920,349</b>	
<b>Total primary government</b>	<b>\$ 56,615,102</b>	<b>\$ 55,876,765</b>	<b>\$ 3,000,000</b>

**General Revenues:**

Unrestricted investment earnings

Total general revenues

Change in net assets

**Beginning Net assets**

**Ending Net assets**

See Notes to Financial Statements.

**Exhibit 2**

<b>Net Revenue (Expense) and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (63,214)	\$	\$ (63,214)
2,752,360		2,752,360
(357,771)		(357,771)
2,331,375		2,331,375
	(69,712)	(69,712)
	(69,712)	(69,712)
2,331,375	(69,712)	2,261,663
676,909	1,377,016	2,053,925
676,909	1,377,016	2,053,925
3,008,284	1,307,304	4,315,588
33,934,471	42,644,501	76,578,972
\$ 36,942,755	\$ 43,951,805	\$ 80,894,560

**Gulf Coast Waste Disposal Authority**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2006**

	<u>General</u>	<u>Washburn Tunnel Facility</u>	<u>40-Acre Facility</u>
<b><u>Assets</u></b>			
Current assets:			
Equity in pooled cash and investments	\$ 6,100,403	\$ 288,576	\$ 596,778
Marketable securities	16,388		
Receivables	179,984	2,568,971	
Due from other funds	5,043		
Interfund loans receivable	3,306,411		
Loan receivable		2,793,136	
Prepays	9,639	29,232	10,119
<b>Total assets</b>	<b><u>\$ 9,617,868</u></b>	<b><u>\$ 5,679,915</u></b>	<b><u>\$ 606,897</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	\$ 68,373	\$ 1,238,495	\$ 582,286
Wages payable	46,907	55,168	14,488
Interfund loans payable		3,097,665	10,123
Deferred revenue	45,573	2,898,811	
Advance for working capital			
<b>Total liabilities</b>	<b><u>160,853</u></b>	<b><u>7,290,139</u></b>	<b><u>606,897</u></b>
Funds balances:			
Reserved for:			
Prepays	9,639	29,232	10,119
Reserve for interfund loans receivable	2,595,738		
Capital projects		1,389,776	
Unreserved, reported in:			
General fund	6,851,638		
Special revenue funds		(3,029,232)	(10,119)
Capital projects funds			
<b>Total fund balances</b>	<b><u>9,457,015</u></b>	<b><u>(1,610,224)</u></b>	<b><u></u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 9,617,868</u></b>	<b><u>\$ 5,679,915</u></b>	<b><u>\$ 606,897</u></b>

Amounts reported for governmental activities in the statement of net assets are different because capital assets used in government activities are not financial resources and therefore are not reported in the funds.

Amounts reported for governmental activities in the statement of net assets are different because loan payables are not due and payable in the current period and therefore not reported in the funds.

Amounts reported for governmental activities in the statement of net assets are different because long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of certain activities such as insurance, data processing, communications, equipment rental, and funding for compensated absences.

**Net assets of governmental activities**

See Notes to Financial Statements.

**Exhibit 3**

<b>Non-Major Governmental Funds</b>	<b>Total</b>
\$ 1,537,002	\$ 8,522,759
	16,388
853,987	3,602,942
	5,043
	3,306,411
	2,793,136
30,739	79,729
<u>\$ 2,421,728</u>	<u>\$ 18,326,408</u>
\$ 606,248	\$ 2,495,402
50,679	167,242
31,205	3,138,993
	2,944,384
<u>1,453,605</u>	<u>1,453,605</u>
<u>2,141,737</u>	<u>10,199,626</u>
30,739	79,729
	2,595,738
	1,389,776
	6,851,638
250,825	(2,788,526)
<u>(1,573)</u>	<u>(1,573)</u>
<u>279,991</u>	<u>8,126,782</u>
<u>\$ 2,421,728</u>	
	24,772,183
	(2,783,328)
	2,793,136
	4,033,982
	<u>\$ 36,942,755</u>

# **Gulf Coast Waste Disposal Authority**

## ***Statement of Revenues, Expenditures, and Changes in Fund Balances***

### ***Governmental Funds***

***Year ended December 31, 2006***

	<b>General</b>	<b>Washburn Tunnel Facility</b>	<b>40-Acre Facility</b>
<b><u>Revenues</u></b>			
Services to industries	\$ 1,799,961	\$ 11,623,259	\$ 4,034,648
Services to municipalities			
Intergovernmental	3,191,772	62,328	45,000
Investment earnings	241,015	116,769	30,141
Other revenues	5,689	209,743	20,304
<b>Total revenues</b>	<b>5,238,437</b>	<b>12,012,099</b>	<b>4,130,093</b>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
General services	4,879,389		
Wastewater treatment		12,037,213	4,130,093
Solid waste disposal			
<b>Capital Outlay:</b>			
General services	29,076		
Wastewater treatment		1,585,110	
<b>Debt Service:</b>			
Promissory note principal payments	216,672		
Interest	76,581		
<b>Total expenditures</b>	<b>5,201,718</b>	<b>13,622,323</b>	<b>4,130,093</b>
<b>Excess (deficiency) of revenues</b>			
<b>Over expenditures</b>	<b>36,719</b>	<b>(1,610,224)</b>	
<b><u>Other Financing Sources</u></b>			
Proceeds from promissory note	3,000,000		
<b>Total other financing sources</b>	<b>3,000,000</b>		
<b>Net change in fund balance (deficit)</b>	<b>3,036,719</b>	<b>(1,610,224)</b>	
Fund balances (deficits), beginning	6,420,296		
<b>Fund balances (deficits), ending</b>	<b>\$ 9,457,015</b>	<b>\$ (1,610,224)</b>	<b>\$</b>

See Notes to Financial Statements.

**Exhibit 4**

<b>Non-Major Governmental Funds</b>	<b>Total</b>
\$ 5,165,608	\$ 22,623,476
1,986,211	1,986,211
	3,299,100
63,852	451,777
18,757	254,493
<u>7,234,428</u>	<u>28,615,057</u>
	4,879,389
4,607,424	20,774,730
1,023,159	1,023,159
	29,076
1,575,185	3,160,295
	216,672
	<u>76,581</u>
<u>7,205,768</u>	<u>30,159,902</u>
<u>28,660</u>	<u>(1,544,845)</u>
	3,000,000
	<u>3,000,000</u>
28,660	1,455,155
251,331	6,671,627
<u>\$ 279,991</u>	<u>\$ 8,126,782</u>



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**Gulf Coast Waste Disposal Authority*****Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
Year ended December 31, 2006*****Exhibit 5**

Amounts reported for governmental activities in the statements of activities are different because:

Net change in fund balances - total governmental funds:	\$ 1,455,155
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,491,460) exceeded depreciation (\$2,399,414) in the current period.	1,092,046
Internal service funds are used by management to charge the costs of certain activities, such as insurance and computer services, to individual funds. The net revenue (expense) is reported with governmental activities.	456,561
Governmental funds do not report an expense for loss on disposal of assets since the use of financial resources is not required.	(5,286)
Governmental funds do not recognize all of the revenue related to a loan receivable, since it is offset by deferred revenue. However, in the statement of activities the revenue is reported as a capital contribution. This is the amount by which capital contributions (\$3,000,000) exceed loan payments received (\$206,864).	2,793,136
Governmental funds report loan proceeds as revenues and principal payments as expenditures. However, in the statement of activities the loan is reported as a payable. This is the amount by which proceeds (\$3,000,000) exceed principal repayments (\$216,672).	(2,783,328)
Change in net assets of governmental activities	<u>\$ 3,008,284</u>

See Notes to Financial Statements.

**Gulf Coast Waste Disposal Authority**  
**Statement of Net Assets (Page 1 of 2)**  
**Proprietary Funds**  
**December 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bayport Area System</b>	<b>Central Laboratory</b>	<b>Non-Major Enterprise Funds</b>
<b><u>Assets</u></b>			
Current assets:			
Equity in pooled cash and investments	\$ 18,299,625	\$ 762,206	\$ 1,011,320
Receivables	4,592,035	5,921	195,654
Prepaid items	66,417	16,574	1,652
Total current assets	<u>22,958,077</u>	<u>784,701</u>	<u>1,208,626</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	10,462,061		
Marketable securities	3,640,559		
Accrued interest	57,536		
Deferred charges:	958,870		
Total restricted assets	<u>15,119,026</u>		
Capital assets:			
Land	907,489		
Construction in progress	12,525,131	61,362	
Plant and equipment	80,828,264	5,498,176	1,790,767
Less: accumulated depreciation	<u>(44,525,547)</u>	<u>(2,391,695)</u>	<u>(735,689)</u>
Total capital assets (net of accumulated depreciation)	<u>49,735,337</u>	<u>3,167,843</u>	<u>1,055,078</u>
Total noncurrent assets	<u>64,854,363</u>	<u>3,167,843</u>	<u>1,055,078</u>
<b>Total assets</b>	<b><u>\$ 87,812,440</u></b>	<b><u>\$ 3,952,544</u></b>	<b><u>\$ 2,263,704</u></b>

See Notes to Financial Statements.

**Exhibit 6**

<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 20,073,151	\$ 5,703,957
4,793,610	209,807
84,643	703
<u>24,951,404</u>	<u>5,914,467</u>
10,462,061	
3,640,559	
57,536	
958,870	
<u>15,119,026</u>	
907,489	
12,586,493	107,130
88,117,207	3,052,106
<u>(47,652,931)</u>	<u>(2,324,695)</u>
<u>53,958,258</u>	<u>834,541</u>
<u>69,077,284</u>	<u>834,541</u>
<u>\$ 94,028,688</u>	<u>\$ 6,749,008</u>

**Gulf Coast Waste Disposal Authority**

*Statement of Net Assets (page 2 of 2)*

**Proprietary Funds**

**December 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bayport Area System</b>	<b>Central Laboratory</b>	<b>Nonmajor Enterprise Funds</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$ 1,272,937	\$ 79,784	\$ 14,267
Wages payable	59,782	40,180	4,839
Retainage payable	826,858		
Due to other funds			5,043
Accrued bond interest	561,362		
Current portion of accrued compensated absences			
Current portion of interfund loan payable		102,540	11,838
Current portion of revenue bonds payable	2,817,171		
Total current liabilities	<u>5,538,110</u>	<u>222,504</u>	<u>35,987</u>
Noncurrent liabilities:			
Accrued compensated absences			
Interfund loan payable			53,040
Deferred revenue			81,179
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	44,346,289		
Total noncurrent liabilities	<u>44,346,289</u>		<u>134,219</u>
<b>Total liabilities</b>	<u>49,884,399</u>	<u>222,504</u>	<u>170,206</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	12,563,473	3,065,303	990,200
Restricted for debt service	4,168,561		
Unrestricted	21,196,007	664,737	1,103,298
<b>Total net assets</b>	<u>\$ 37,928,041</u>	<u>\$ 3,730,040</u>	<u>\$ 2,093,498</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

**Net assets of business-type activities**

See Notes to Financial Statements.

**Exhibit 6**

<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 1,366,988	\$ 308,947
104,801	
826,858	
5,043	
561,362	
	1,142,269
114,378	
2,817,171	
<u>5,796,601</u>	<u>1,451,216</u>
	1,063,584
53,040	
81,179	
44,346,289	
<u>44,480,508</u>	<u>1,063,584</u>
<u>50,277,109</u>	<u>2,514,800</u>
16,618,976	834,541
4,168,561	
<u>22,964,042</u>	<u>3,399,667</u>
43,751,579	<u>\$ 4,234,208</u>
<u>200,226</u>	
<u>\$ 43,951,805</u>	

**Gulf Coast Waste Disposal Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended December 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bayport Area System</b>	<b>Central Laboratory</b>	<b>Non-Major Enterprise Funds</b>
<b><u>Operating revenues</u></b>			
Charges for sales and services	\$ 23,077,055	\$ 4,017,437	\$ 649,030
Other revenues	174,791		2,036
<b>Total operating revenues</b>	<b>23,251,846</b>	<b>4,017,437</b>	<b>651,066</b>
<b><u>Operating expenses</u></b>			
Costs of sales and services	16,448,360	3,482,952	570,210
Administration	626,029	53,591	31,547
Depreciation	3,915,355	294,503	67,360
<b>Total operating expenses</b>	<b>20,989,744</b>	<b>3,831,046</b>	<b>669,117</b>
<b>Operating income (loss)</b>	<b>2,262,102</b>	<b>186,391</b>	<b>(18,051)</b>
<b><u>Nonoperating revenues (expenses)</u></b>			
Investment income	1,287,904	28,174	47,776
Interest expense	(2,339,387)	(14,237)	(3,304)
Bond issuance costs	(91,498)		
Gain (loss) on disposal of capital assets	(58,088)	(768)	
<b>Total nonoperating revenues (expenses)</b>	<b>(1,201,069)</b>	<b>13,169</b>	<b>44,472</b>
<b>Change in net assets</b>	<b>1,061,033</b>	<b>199,560</b>	<b>26,421</b>
Beginning net assets	36,867,008	3,530,480	2,067,077
<b>Ending net assets</b>	<b>\$ 37,928,041</b>	<b>\$ 3,730,040</b>	<b>\$ 2,093,498</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

**Change in net assets of business-type activities**

See Notes to Financial Statements.

**Exhibit 7**

<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 27,743,522	\$ 2,382,646
176,827	703,855
27,920,349	3,086,501
20,501,522	2,232,361
711,167	390,099
4,277,218	219,450
25,489,907	2,841,910
2,430,442	244,591
1,363,854	226,989
(2,356,928)	(6,630)
(91,498)	
(58,856)	11,901
(1,143,428)	232,260
1,287,014	476,851
	3,757,357
	\$ 4,234,208
20,290	
\$ 1,307,304	



**Gulf Coast Waste Disposal Authority**  
**Statement of Cash Flows (page 1 of 2)**  
**Proprietary Funds**  
**Year ended December 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bayport Area System</b>	<b>Central Laboratory</b>	<b>Non-Major Enterprise Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 22,393,666	\$ 4,015,397	\$ 639,614
Payments to suppliers	(13,938,049)	(1,137,606)	(345,097)
Payments to employees	(3,260,291)	(2,379,620)	(257,008)
<b>Net cash provided by operating activities</b>	<b>5,195,326</b>	<b>498,171</b>	<b>37,509</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets	(7,516,864)	(283,744)	(2,624)
Proceeds from sale of capital assets	2,973	4,185	
Principal paid on capital debt	(2,505,000)		
Interest paid on capital debt	(2,370,700)		
Principal paid on interfund loan		(432,307)	(11,469)
Interest paid on interfund loan		(14,237)	(3,099)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(12,389,591)</b>	<b>(726,103)</b>	<b>(17,192)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Purchase of investments	(1,000,000)		
Proceeds from maturity of investments	930,000		
Interest received	1,431,998	28,174	47,572
<b>Net cash provided by investing activities</b>	<b>1,361,998</b>	<b>28,174</b>	<b>47,572</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,832,267)</b>	<b>(199,758)</b>	<b>67,889</b>
<b>Beginning cash and cash equivalents:</b>			
Unrestricted cash and cash equivalents	22,385,529	961,964	943,431
Restricted cash and cash equivalents	12,208,424		
<b>Beginning cash and cash equivalents</b>	<b>34,593,953</b>	<b>961,964</b>	<b>943,431</b>
<b>Ending cash and cash equivalents</b>	<b>\$ 28,761,686</b>	<b>\$ 762,206</b>	<b>\$ 1,011,320</b>
<b>Ending cash and cash equivalents:</b>			
Unrestricted cash and cash equivalents	\$ 18,299,625	\$ 762,206	\$ 1,011,320
Restricted cash and cash equivalents	10,462,061		
<b>Ending cash and cash equivalents</b>	<b>\$ 28,761,686</b>	<b>\$ 762,206</b>	<b>\$ 1,011,320</b>

See Notes to Financial Statements.

**Exhibit 8**

<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 27,048,677	\$ 2,935,648
(15,420,752)	(2,345,112)
(5,896,919)	
5,731,006	590,536
(7,803,232)	(376,659)
7,158	11,901
(2,505,000)	
(2,370,700)	
(443,776)	
(17,336)	
(13,132,886)	(364,758)
(1,000,000)	
930,000	
1,507,744	220,359
1,437,744	220,359
(5,964,136)	446,137
24,290,924	5,257,820
12,208,424	
36,499,348	5,257,820
\$ 30,535,212	\$ 5,703,957
\$ 20,073,151	\$ 5,703,957
10,462,061	
\$ 30,535,212	\$ 5,703,957

**Gulf Coast Waste Disposal Authority**

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

*Proprietary Funds*

*Year ended December 31, 2006*

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Bayport Area System</b>	<b>Central Laboratory</b>	<b>Nonmajor Enterprise Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ 2,262,102	\$ 186,391	\$ (18,051)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	3,915,355	294,503	67,360
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Current Assets:</b>			
Accounts receivable	(858,182)	(2,039)	(11,447)
Prepays	10,782	2,014	1,273
<b>Increase (Decrease) in Current Liabilities:</b>			
Wages payable	948	(1,425)	1,517
Accounts payable	157,557	18,727	8,039
Retainage payable	(293,236)		
Due to other funds			(2,206)
Deferred revenue			(8,976)
<b>Net cash provided by operating activities</b>	<b>\$ 5,195,326</b>	<b>\$ 498,171</b>	<b>\$ 37,509</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Gain (Loss) on disposition of capital assets	\$ (58,088)	\$ (768)	\$

See Notes to Financial Statements.

**Exhibit 8**

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 2,430,442	\$ 244,591
4,277,218	219,450
(871,668)	(150,854)
14,069	(439)
1,040	150,640
184,323	127,148
(293,236)	
(2,206)	
(8,976)	
<u>\$ 5,731,006</u>	<u>\$ 590,536</u>
\$ (58,856)	\$ 11,901

**Gulf Coast Waste Disposal Authority**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2006**

**Exhibit 9**

	<b>Private-purpose Trust Fund Campbell Landfill Closure/ Post-Closure</b>	<b>Agency Funds</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Equity in pooled cash and investments	\$	\$ 86,081	\$ 86,081
Cash and cash equivalents	135,677		135,677
Marketable securities	1,745,794		1,745,794
Interest receivables	12,270		12,270
<b>Total assets</b>	<b>1,893,741</b>	<b>86,081</b>	<b>1,979,822</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Other liabilities		86,081	86,081
<b>Total liabilities</b>		<b>86,081</b>	<b>86,081</b>
<b><u>Net Assets</u></b>			
Held in trust for closure/post-closure costs	\$ 1,893,741	\$	\$ 1,893,741

See Notes to Financial Statements.

**Gulf Coast Waste Disposal Authority**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended December 31, 2006**

**Exhibit 10**

	<b>Private-purpose Trust Fund</b>
	<b>Campbell Landfill Closure/ Post-Closure</b>
<b><u>Additions</u></b>	
Investment earnings:	
Interest	\$ 63,720
Net decrease in fair value of investments	526
Total investment earnings	<u>64,246</u>
<b>Total additions</b>	<u>64,246</u>
<b><u>Deductions</u></b>	
Loss on sale of investments	2,876
Return of contributions	154,924
Banking fees	<u>20,133</u>
<b>Total deductions</b>	<u>177,933</u>
<b>Change in net assets</b>	(113,687)
Beginning net assets	<u>2,007,428</u>
<b>Ending net assets</b>	<u><u>\$ 1,893,741</u></u>

See Notes to Financial Statements.

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# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **INDEX TO NOTES TO FINANCIAL STATEMENTS**

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# **GULF COAST WASTE DISPOSAL AUTHORITY**

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# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### 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, authorities, and agencies 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 and presented as a governmental fund, since it is, in substance, the same as the primary government, despite being legally separate.

#### B. Financial Statement Presentation

These financial statements include implementation of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Certain of the significant changes in Statement No. 34 include:

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Financial Statement Presentation (continued)

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities.
- A change in the fund financial statements to focus on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets and a statement of activities and changes in net assets. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

***Invested in capital assets, net of related debt*** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted*** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

***Unrestricted*** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### C. 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 fiduciary funds. The statements distinguish between governmental and business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Governmental activities are generally financed through intergovernmental revenues and reimbursements from participants. Business-type activities are financed by fees charged to external parties for goods or services.

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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Government-wide and Fund Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. 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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Non-major funds are presented in the aggregate in the financial statements and individually in the Combining Statements.

#### *Governmental Funds*

The Authority reports the following major governmental funds:

**General Fund.** This fund accounts for all financial resources except those required to be accounted for in another fund. Resources include revenues from management, administration, accounting, and computer fees; financing fees for certain types of bond issues; technical assistance and services fees; project management fees; and earnings on investments. The General Fund is the general operating fund of the Authority.

**Washburn Tunnel.** This fund accounts for the operation of the Washburn Tunnel Facility. This facility provides wastewater treatment services to municipalities and industries in the Houston Ship Channel area.

**40-Acre.** This fund accounts for the operations of the 40-Acre Facility. This facility provides wastewater treatment services to industrial customers in Texas City.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Government-wide and Fund Financial Statements (continued)

##### *Proprietary Funds*

The Authority reports the following major enterprise funds:

**Bayport Area System.** This fund accounts for the operations of the Bayport Facility. This facility provides wastewater treatment services to industries located in the Bayport Industrial Complex as well as to two local municipalities.

**Central Laboratory.** This fund accounts for the activities of the Authority's Central Laboratory. This facility provides laboratory analysis for all Authority treatment facilities and industrial customers.

The Authority reports the following fund types:

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

##### *Fiduciary Funds*

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 fund 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 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.** To account for, as custodian, the assets and investment earnings required by bond resolution to be held in reserve and in an interest and sinking fund for the City of League City and to account for the contributions and disbursements of the Texas Conservation Association for the annual "Trash Bash" event.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. 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 the government-wide financial statements, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary funds utilize 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.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

##### *Basis of Accounting*

All governmental funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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.

Deferred revenue is recorded when the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before earned. Billings in the current year for budgeted expenditures of pollution control facilities operated on a cost-reimbursement basis are not earned until the expenditures are incurred. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has earned the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **D. Measurement Focus and Basis of Accounting (continued)**

The deferred revenue reported on the accrual basis of accounting on the government-wide statement of net assets agrees with the deferred revenue reported in the modified accrual basis of accounting on the governmental fund balance sheet due to the fact the revenue is unearned as of year end.

Unbilled receivables are recorded for services rendered but not yet invoiced as of the end of each accounting period. In governmental funds where services are rendered on a cost-reimbursement basis, unbilled receivables consist primarily of variances between periodic budget billings and actual expenditures. In enterprise funds where services are rendered on a fee basis, unbilled receivables consist primarily of charges for services performed in the current month which are to be invoiced the following month.

Expenditures and liabilities are recognized when the related fund obligations are incurred as a result of receipt of goods and services.

All proprietary funds and fiduciary funds, including agency funds, use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. The Employees' Health Care Internal Service Fund recognizes estimated losses from claims as expenses and recognizes liabilities when it is probable that the liabilities have been incurred at the date of the financial statements and the amount of the losses can reasonably be estimated.

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 fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds and internal service funds are charges to customers for sales and services along with penalties and fees. Operating expenses for enterprise funds and internal service funds 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.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **E. 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 would 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 is organized by the State of Texas. 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 indenture. An additional exception to pooled cash is the amounts maintained in a separate bank account for the payment of claims by the Employees' Health Care Fund. Each fund's "Equity in pooled cash and investments" is included on the combined balance sheet.

##### **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. Short-term interfund interest bearing loans are classified as "interfund loans receivable" or "interfund loans payable."

Residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

##### **3. Inventories**

In governmental funds, the purchase method of accounting for inventories is used. Using this method, materials and supplies are recorded as expenditures when they are received.

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 in the general capital assets or in the proprietary fund 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.



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities, and Net Assets or Equity (continued)

##### 4. Prepaid Costs

Prepaid costs do not represent "available spendable resources" in governmental funds, even though they are components of net current assets. Therefore, in governmental funds, the prepaid costs are equally offset by fund balance reserve accounts.

##### 5. Advances to Other Funds

In governmental funds, the non-current portion of advances to other funds is equally offset by a fund balance reserve account. These receivables are reported as assets, but they are not components of net current assets and do not constitute available spendable resources,

##### 6. Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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. All other capital assets of the governmental unit are general capital assets. They are not reported as assets in governmental funds but are reported in the governmental activities column in the government-wide statement of 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

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities, and Net Assets or Equity (continued)

##### 6. Capital Assets (continued)

Capital assets are defined as items of property that:

1. Are tangible in nature;
2. Have an economic useful life longer than three years;
3. Maintain their identities throughout their useful lives, either as separate entities or as identifiable components, and;
4. Have an original cost of \$1,000 or more.

##### 7. 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 Revenue Fund, an enterprise fund, unamortized bond discounts are presented as a reduction of the face amount of bonds payable, whereas unamortized issuance costs are recorded as deferred charges.

##### 8. Capital Leases

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

##### 9. Long-Term Debt

For proprietary funds, all long-term debt is shown in the long-term liabilities section of the respective statement of net assets.

##### 10. 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 until 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 will be compensated for one-half of total accrued hours at the employee's termination date. Employees who retire will be paid for one-half of their total accrued hours at time of retirement.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities, and Net Assets or Equity (continued)

##### 10. Compensated Absences (Vacation and Leave) (continued)

During 1987 the Authority established the Compensated Absences 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 individual funds pay to the Compensated Absences Fund the current value of the vested compensated absences earned by each fund's employee salary increases.

##### 11. Interfund Transactions

Interfund transactions are treated as follows:

- (a) Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the Authority are similarly treated when involving funds of the Authority. Major transactions that fall into this category include fees for services paid to the General Fund. Other interfund services provided and used are payments for services and rental of equipment to the Equipment Services Fund, payments for services to the Data Processing Fund, laboratory services to the Central Laboratory Fund and payments in lieu of insurance premiums to the Employees' Health Care Fund.
- (b) Transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers. Major transactions that fall into this category include transfers from the General Fund to Special Revenue Funds for special studies and transfers from Enterprise Funds to the General Fund, if excess funds are available.

##### 12. Use of Estimates

The preparation accepted in the assumptions that could differ from financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### II. STEWARDSHIP AND ACCOUNTABILITY

#### A. Financial Plan

Annually, the "financial plan" of Revenues and Expenditures for the General Fund, prepared on a basis consistent with generally accepted accounting principles, in the United States of America, is adopted by GCWDA's Board of Directors. This "financial plan" is defined as a "non-appropriated budget" which does not become a legal document or a maximum "cap" that would require an amendment in order for expenditures to exceed the "budgeted" amounts. The projection of revenues and expenditures is used as a plan of current expenditures and the proposed means of financing them. Quarterly, a comparison of the General Fund financial plan with actual revenues, expenditures, and other financing sources or uses is presented to the Board of Directors.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### II. STEWARDSHIP AND ACCOUNTABILITY (continued)

#### A. Financial Plan (continued)

This comparison is included in the combining statements and schedules section of this report. The Authority does not record encumbrances in its accounting system.

The financial plan of the special revenue funds and capital project funds are not adopted by GCWDA's Board of Directors. Those funds for which the financial plan is prepared are approved by the industries or municipalities that the facilities serve. Therefore, budgetary comparisons for special revenue funds and capital projects funds are not presented in these financial statements.

The estimates of revenues and expenses for the Authority's enterprise funds are also presented annually to GCWDA's Board of Directors for adoption. In the case of the Bayport Area System Revenue Fund, the Board establishes rates for the treatment of wastes received from the Bayport customers. Although the Bayport Revenue Fund budget is presented annually to all the participants in the Bayport complex for their review, the financial plan does not become a legal document.

These non-appropriated enterprise fund 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, 2006, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Agencies	\$ 37,069,443	2.09
State Pool (TexPool)	6,074,889	0
Total Fair Value	<u>\$ 43,144,332</u>	
Portfolio Weighted Average Maturity		1.87

*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.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### A. Deposits and Investments (continued)

*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, 2006, 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, 2006, market values of pledged securities were \$2,253,659 and bank balances were \$1,402,822.

*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 safekeeping 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:

	<u>Accounts Receivable</u>	<u>Unbilled Receivable</u>	<u>Accrued Interest</u>	<u>Accrued Revenue</u>	<u>Total</u>
General Fund	\$ 95,707	\$84,158	\$ 119	\$	\$ 179,984
Major Governmental Funds	2,438,763	251,760		(121,552)	2,568,971
Nonmajor Governmental Funds	236,819	338,180		278,988	853,987
Enterprise Funds	2,755,826	11,131		2,026,653	4,793,610
Internal Service Funds	455	209,352			209,807
<b>Total Receivables shown on statement of net assets</b>	<b>5,527,570</b>	<b>894,581</b>	<b>119</b>	<b>2,184,089</b>	<b>8,606,359</b>
Enterprise Fund restricted assets			57,536		57,536
<b>Total receivables</b>	<b>\$ 5,527,570</b>	<b>\$ 894,581</b>	<b>\$ 57,655</b>	<b>\$ 2,184,089</b>	<b>\$ 8,663,895</b>

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### C. Loan Receivable

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Requirement</u>
2007	\$ 525,438	\$ 204,462	\$ 729,900
2008	569,049	160,852	729,901
2009	616,280	113,620	729,900
2010	667,430	62,469	729,899
2011	414,939	10,740	425,679
<b>Total</b>	<b>\$ 2,793,136</b>	<b>\$ 552,143</b>	<b>\$ 3,345,279</b>

#### D. Due To/From Other Funds

The balances represent 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:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Enterprise	\$ 5,043
	<b>Total</b>	<b>\$ 5,043</b>

#### E. Interfund Loans and Transfers

Interfund loans represent interest bearing loans for insurance premiums and for renovation of a facility. Balances at year end are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Washburn Tunnel Facility	\$ 3,097,665
	40-Acre Facility	10,123
	Nonmajor Governmental	31,205
	Central Laboratory	102,540
	Nonmajor Enterprise	64,878
	<b>Total</b>	<b>\$ 3,306,411</b>

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### E. Interfund Loans and Transfers (continued)

The loan from the General Fund to the Central Laboratory is a ten-year note for the expansion of the facility. The loan bears interest at the rate of 6 percent per annum which was reduced to 3 percent per annum as of January 1, 2005, and is payable in monthly installments. The repayment schedule is as follows:

<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Requirement</b>
2007	\$ 102,540	\$ 10,212	\$ 112,752
<b>Total</b>	<b>\$ 102,540</b>	<b>\$ 10,212</b>	<b>\$ 112,752</b>

The loan from the General Fund to the Washburn Pipeline Services, a nonmajor enterprise fund, is an estimated ten-year note for the expansion of the facility. The loan bears interest at the variable rate of 4 percent as of year end and is payable in monthly installments. The repayment schedule is as follows:

<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Requirement</b>
2007	\$ 11,838	\$ 2,730	\$ 14,568
2008	12,222	2,346	14,568
2009	12,621	1,947	14,568
2010	13,037	1,531	14,568
2011	13,469	1,099	14,568
2012	1,691	140	1,831
<b>Total</b>	<b>\$ 64,878</b>	<b>\$ 9,793</b>	<b>\$ 74,671</b>

The loan from the General Fund to the Washburn Tunnel Facility, a major governmental fund, is an estimated 5 year note for construction relating to certain air pollution control improvements. The loan bears interest at 8% per annum and is payable in monthly installments. The repayment schedule is as follows:

<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Requirement</b>
2007	\$ 525,438	\$ 204,462	\$ 729,900
2008	569,049	160,852	729,901
2009	616,280	113,620	729,900
2010	667,430	62,469	729,899
2011	414,939	10,740	425,679
<b>Total</b>	<b>\$ 2,793,136</b>	<b>\$ 552,143</b>	<b>\$ 3,345,279</b>

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. 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 Reserve Fund.

The System is required to maintain a fund in an amount equal to the average annual debt service requirements of all the outstanding bonds, which was \$3,719,318 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 \$4,168,561 were invested in a money market fund, a U.S. government securities mutual fund, U.S. government securities, and accrued interest.

In addition, \$9,991,595 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, 2006 are as follows:

##### **Restricted Assets:**

Cash and cash equivalents	\$	10,462,061
Marketable securities		3,640,559
Accrued interest		57,536
	\$	<u>14,160,156</u>

##### **Restricted for:**

Debt Service	\$	4,168,561
Capital expenditures		9,991,595
	\$	<u>14,160,156</u>



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### G. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,167,441	\$	\$	\$ 4,167,441
Construction in progress	461,795	3,534,505	(48,974)	3,947,326
Total capital assets not being depreciated	<u>4,629,236</u>	<u>3,534,505</u>	<u>(48,974)</u>	<u>8,114,767</u>
Capital assets being depreciated:				
Waste treatment facilities and equipment	75,027,527	77,899	(799,166)	74,306,260
Office building	930,408	23,536		953,944
Administrative furniture and equipment	3,992,011	281,152	(271,693)	4,001,470
Total capital assets being depreciated	<u>79,949,946</u>	<u>382,587</u>	<u>(1,070,859)</u>	<u>79,261,674</u>
Less accumulated depreciation for:				
Waste treatment facilities and equipment	(56,934,354)	(2,242,658)	794,547	(58,382,465)
Office Building	(430,133)	(79,521)		(509,654)
Administrative furniture and equipment	(2,851,939)	(296,685)	271,026	(2,877,598)
Total accumulated depreciation	<u>(60,216,426)</u>	<u>(2,618,864)</u>	<u>1,065,573</u>	<u>(61,769,717)</u>
Total capital assets being depreciated, net	<u>19,733,520</u>	<u>(2,236,277)</u>	<u>(5,286)</u>	<u>17,491,957</u>
<b>Governmental activities capital assets, net</b>	<u>\$24,362,756</u>	<u>\$ 1,298,228</u>	<u>\$ (54,260)</u>	<u>\$25,606,724</u>

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 907,489	\$	\$	\$ 907,489
Construction in progress	19,794,844	7,369,453	(14,577,804)	12,586,493
Total capital assets not being depreciated	<u>20,702,333</u>	<u>7,369,453</u>	<u>(14,577,804)</u>	<u>13,493,982</u>
Capital assets being depreciated:				
Plant and equipment	73,590,177	15,002,692	(475,662)	88,117,207
Total capital assets being depreciated	<u>73,590,177</u>	<u>15,002,692</u>	<u>(475,662)</u>	<u>88,117,207</u>
Less accumulated depreciation for:				
Plant and equipment	(43,794,251)	(4,277,218)	418,538	(47,652,931)
Total accumulated depreciation	<u>(43,794,251)</u>	<u>(4,277,218)</u>	<u>418,538</u>	<u>(47,652,931)</u>
Total capital assets being depreciated, net	<u>29,795,926</u>	<u>10,725,474</u>	<u>(57,124)</u>	<u>40,464,276</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 50,498,259</u>	<u>\$ 18,094,927</u>	<u>\$ (14,634,928)</u>	<u>\$ 53,958,258</u>

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

#### **Governmental activities:**

General services	\$ 136,294
Wastewater treatment	1,910,051
Solid waste disposal	353,069

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

219,450

#### **Total depreciation expense - governmental activities**

\$ 2,618,864

#### **Business-type activities:**

Wastewater treatment	\$ 4,277,218
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#### **Total depreciation expense - business-type activities**

\$ 4,277,218

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### G. Capital Assets (continued)

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

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Oxygen Activated Sludge System	\$18,808,000	\$ 1,232,844	\$ 17,575,156
T-110 Air Control	2,118,438	1,469,761	648,677
Belt Press Expansion	868,757	347,934	520,823
First Step Tank Emission Control	14,531,040	11,101,525	3,429,515
Records Management System	150,796	32,991	117,805
<b>Totals</b>	<u>\$36,477,031</u>	<u>\$ 14,185,055</u>	<u>\$ 22,291,976</u>

#### H. 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 a process for air pollution 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, 2006 is \$2,783,328 and the annual principal and interest payments are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 546,687	\$ 147,789	\$ 694,476
2008	579,417	115,057	694,474
2009	614,110	80,365	694,475
2010	650,878	43,597	694,475
2011	392,236	7,582	399,818
	<u>\$ 2,783,328</u>	<u>\$ 394,390</u>	<u>\$ 3,177,718</u>

##### *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, \$2,940,000 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.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### H. Changes in Long-Term Debt (continued)

The bonds outstanding at December 31, 2006, 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, 2006, are \$45,795,000 with unamortized bond issue costs of \$958,870.

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,655,000	\$ 2,245,450	\$ 4,900,450
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	852,525	4,042,525
2012-2016	11,245,000	6,961,700	18,206,700
2017-2021	12,255,000	4,117,250	16,372,250
2022-2024	7,710,000	1,014,625	8,724,625
<b>Total</b>	<b>\$ 45,795,000</b>	<b>\$ 21,152,726</b>	<b>\$ 66,947,726</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 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 Fund. The debt service coverage of the pledged revenues for the year ended December 31, 2006, for the Series 2002 and 2004 Bonds is computed in the following schedule.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### H. Changes in Long-Term Debt (continued)

Net income for the year ended December 31, 2006	\$ 1,061,033
Add-Items not includable in current expenses of the System:	
Bond interest expense	2,339,387
Depreciation	3,915,355
Management fee	489,996
Pledged revenues	<u>\$ 7,805,771</u>
Average annual debt service for bonds	<u>\$ 3,719,318</u>
Debt service coverage	2.10

"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 Fund 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.

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Accrued compensated absences	\$ 2,055,213	\$ 1,203,757	\$ 1,053,117	\$ 2,205,853	1,142,269
Promissory note		3,000,000	216,672	2,783,328	546,687
Long term liabilities	<u>\$ 2,055,213</u>	<u>\$ 4,203,757</u>	<u>\$ 1,269,789</u>	<u>\$ 4,989,181</u>	<u>\$ 1,688,956</u>
			Due in more than one year	<u>\$ 3,300,225</u>	

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 24,275,000		\$ 2,505,000	\$ 21,770,000	\$ 390,000
Refunding bonds	24,025,000			24,025,000	2,265,000
Premium	2,306,179		281,219	2,024,960	287,107
Less deferred loss and discounts	(908,223)		(251,723)	(656,500)	(124,936)
Long term liabilities	<u>\$ 49,697,956</u>	<u>\$</u>	<u>\$ 2,534,496</u>	<u>\$ 47,163,460</u>	<u>\$ 2,817,171</u>
			Due in more than one year	<u>\$ 44,346,289</u>	

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### H. Changes in Long-Term Debt (continued)

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

#### I. Fund Equity Reserves

The Authority records two general types of reserves. One type is used to indicate that a portion of the fund equity is legally restricted for a specific future use. The second type is used to indicate that a portion of the fund equity is not available for subsequent appropriations. A description of each reserve is as follows:

##### *Reserved for Revenue Bond Indenture*

Bayport Area System Revenue Bonds - A group of accounts used to indicate that certain assets are legally restricted by the bond indenture to be used for specific purposes.

##### *Reserved for Prepaid Costs*

An account used to indicate that prepaid costs do not represent available spendable resources even though these costs are components of current assets.

##### *Reserved for Interfund Loan Receivable*

An account used to indicate that interfund loan receivables do not represent available spendable resources even though these costs are components of current assets.

##### *Reserved for Closure/Post-Closure*

An account used to indicate that assets in the Campbell Bayou Closure/Post-Closure Fund are restricted as required by law for the cost of closing the landfill and monitoring it after closure.

##### *Reserved for Capital Projects*

An account used to indicate that the unspent proceeds from the financial institution promissory note do not represent available spendable resources even though these costs are components of current assets.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### **J. Bond Requirements of Agency Funds**

The City of League City Sewer System Facilities Contract Revenue Refunding Bonds, Series 1985 Bond Resolution requires that all "Gross Revenues" shall be deposited into the Interest and Sinking Fund and the Reserve Fund as discussed below. "Gross Revenues" are the amounts required by the contract to be provided by the City of League City for the required debt service payments. These bonds, although issued by the Authority, are payable solely from the "Gross Revenues" to be provided by the City of League City. The bonds shall not be considered as general obligations of the Authority, the governing body of the Authority or the state of Texas. Because of the custodial nature of these funds, they are classified as agency funds. The final payment on these bonds was made during the year ended December 31, 2006.

##### ***Reserve Fund***

The Authority is required to maintain a Reserve Fund in an amount equal to the greatest annual debt service requirement. When and if the Reserve Fund at any time contains less than the required amount, deposits into the Reserve Fund from "Gross Revenues" shall be made semi-annually in an amount equal to 1/10 of the Required Reserve amount until the Reserve Fund is restored to the Required Reserve amount. When the Reserve Fund contains the required amount, all interest and income derived from the deposit or investment of the Reserve Fund and all other surplus over the Required Reserve amount must be deposited to the credit of the Interest and Sinking Fund. The Reserve Fund shall be used to pay the debt service on the bonds at any time there is not sufficient money available in the Interest and Sinking Fund for such purpose, and shall be used finally to pay and retire the last of the outstanding bonds. The final payment on this bond was made during the year ended December 31, 2006. The funds in the Sinking Fund were used to make this payment. At year end, the Reserve Fund balance was zero.

##### ***Interest and Sinking Fund***

The Authority is required to deposit from the "Gross Revenues" into the Interest and Sinking Fund an amount sufficient, together with other funds on deposit therein and available for such purposes to pay the debt service requirements of the bonds. The balance in this account was used for the final payment on these bonds made during the year ended December 31, 2006. At year end, Interest and Sinking Fund assets were zero.

#### **K. 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 "Entities"). The bonds are secured by a pledge of the monies to be received by the Authority from the Entities 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 Entities.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### III. DETAILED NOTES ON ALL FUNDS (continued)

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

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

GCIDA may issue bonds with the approval of the Authority for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. These bonds, like the 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	\$ 1,120,585,000
Municipal private activity bonds	55,000
Industrial development projects	341,935,000
<b>Total private activity bonds</b>	<u><u>\$ 1,462,575,000</u></u>

#### L. 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. As stated in the Facilities Agreement, the ownership of the Washburn Tunnel Facility will remain with the Authority as long as the facility is used for pollution control purposes.



# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### 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, 2006 the total plan assets were \$30,811,968. These assets were allocated as follows:

<u>Asset Category</u>	<u>Balance</u>	<u>Percent of Assets</u>
Stable Value/Money Market Funds	\$ 14,459,076	46.9%
Bond Funds	674,312	2.2%
Balances Funds	4,338,454	14.1%
U.S. Stock Funds	8,960,100	29.1%
International Stock Funds	1,419,908	4.6%
Participant Loans	960,118	3.1%
Total Assets	<u>\$ 30,811,968</u>	<u>100.00%</u>

The Authority's contribution for the year end was \$869,669 which represents the required 10 percent of covered payroll. The employees' contribution was \$434,865, which equals the 5 percent of covered payroll, plus 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 will be 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 behalf in any of the available ICMA RC investment options. There is no investment restriction on the mandatory 5 percent contribution or on any voluntary contribution made by each employee.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### A. Defined Contribution Pension Plan (continued)

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.

#### C. Retirement Health Savings Plan

During 2005, the Authority adopted Vantage Care Retirement Health Savings ("RHS") plan. This plan, established by Private letter rulings and Treasury Regulation 301.7701-1 (a) (3) allows employees to accumulate assets on a pre-tax basis to pay for medical expenses upon separation of employment with the Authority. The plan is open to all employees once they begin their third year of employment with the Authority. 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 possess 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 by the fund for which the employee worked prior to retirement. 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 34 active employees meeting these eligibility requirements who could elect to retire. During the year 31 qualified retirees received these benefits at a total cost to the Authority of \$188,463.

It is the Authority's current administrative policy to pay all but \$62.50 (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.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### 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:

	December 31, 2006	December 31, 2005
Claims payable, beginning of year	\$	\$
Claims incurred		964
Claims paid		(964)
<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 92 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 appropriate fund to the Compensated Absences Fund. When the employee takes vacation or sick leave, the total vested portion is drawn from the Compensated Absences Fund.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### 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 in the Employees' Health Care Fund Internal Service 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 to 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 administrative fees. The present GCWDA personnel policy is for the employee to pay \$31.25 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 85 percent) and 100 percent for an eligible retiree net of \$31.25 which is paid by the retiree bi-weekly.

All operating funds of the Authority participate and make monthly payments for the funds' covered persons to the Employees' 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>		
2005	\$ 534,493	\$ 1,077,779	\$ 1,440,203	\$ 172,069
2006	172,069	2,186,431	2,141,113	217,387

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. The Hartford 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 the Hartford.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### 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. Current operations related to this activity are reported in a special revenue fund.

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

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

The estimated total cost of closure and post-closure for the current site at year end is \$10,413,477. Of this amount, \$6,010,307 and \$1,718,367 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 55 percent, and \$2,684,803 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 \$1,476,642. The total accrued closure and post-closure care costs at year end for the entire site are \$9,205,316. The remaining accrued costs to be recognized are \$1,208,161. The Y Cell has a projected life of 10 years, of which four 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 \$1,893,741 at year end, which is reported in the Authority's private-purpose trust fund.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### H. Contingencies (continued)

##### *Landfill Closure and Post-Closure Costs (continued)*

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. Subsequent Event

In October 2005, one of the five participants at the Washburn Tunnel Facility made the decision not to reopen after the shut down caused by Hurricane Rita. During 2006, the participant agreed to pay the Authority \$300,000 to settle its outstanding balance. In accordance with the Facility Operating Agreement with the participants of the Tunnel Facility, if one participant is unable to pay their share of the costs, the remaining participants are obligated to pay the Authority. In January, 2007, the remaining participants of the Washburn Tunnel Facility entered an agreement to repay the remaining balance of \$395,059 over a six month period. Allocation of this debt is based on the participant's usage at the Facility during the time in question. This debt is deemed fully collectible at December 31, 2006 and is recorded as a current receivable.

#### J. Discontinued Operations

GCWDA discontinued operations at the Alief facility in 1998, which is reported in the Non-major Governmental Funds. The facility was decommissioned in 2000. The Authority continues to incur maintenance costs with respect to the land. The sole participant, the City of Houston, is expected to accept closure of this facility in the future and assume responsibility for maintenance at this location at that time. Revenues from this facility for the years ended December 31, 2006 and 2005 were \$2,757 and \$1,894, respectively.

# GULF COAST WASTE DISPOSAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### IV. OTHER INFORMATION (continued)

#### J. Discontinued Operations (continued)

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

	<b>Nonmajor Governmental Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,674
Receivables	897
Prepaid costs	3
<b>Total assets</b>	<b>\$ 17,574</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 1
Wages Payable	48
Advance for working capital	17,525
	<b>\$ 17,574</b>

## **COMBINING STATEMENTS AND SCHEDULES**



# Gulf Coast Waste Disposal Authority

## Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Financial Plan (Non-Appropriated) and Actual (Page 1 of 3)

### General Fund

Year ended December 31, 2006

Exhibit 11

	Original/Final Financial Plan Amount	Actual Amounts	Variance with Final Financial Plan Positive (Negative)
<b><u>Revenues</u></b>			
Services to industries	\$ 1,615,400	\$ 1,799,961	\$ 184,561
Intergovernmental	3,288,400	3,191,772	(96,628)
Investment earnings	163,900	241,015	77,115
Other revenues	4,800	5,689	889
<b>Total revenues</b>	<b>5,072,500</b>	<b>5,238,437</b>	<b>165,937</b>
<b><u>Expenditures</u></b>			
Current:			
General services:			
Management group:			
Personnel costs	692,300	701,811	(9,511)
Materials and supplies	4,200	6,258	(2,058)
Utilities	2,700	(1,066)	3,766
Repairs and maintenance	500	851	(351)
Professional services	45,000	11,341	33,659
Contractual services	8,700	8,642	58
General and administrative	176,100	325,714	(149,614)
<b>Total management group</b>	<b>929,500</b>	<b>1,053,551</b>	<b>(124,051)</b>
Public information:			
Personnel costs	45,900	47,901	(2,001)
Materials and supplies	14,000	12,592	1,408
Professional services		1,542	(1,542)
Contractual services	1,500	1,469	31
General and administrative	21,000	12,397	8,603
<b>Total public information</b>	<b>82,400</b>	<b>75,901</b>	<b>6,499</b>
Finance:			
Personnel costs	399,000	403,585	(4,585)
Materials and supplies	2,900	2,695	205
Professional services	3,500	5,336	(1,836)
General and administrative	35,200	30,543	4,657
<b>Total finance</b>	<b>440,600</b>	<b>442,159</b>	<b>(1,559)</b>

# Gulf Coast Waste Disposal Authority

## Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Financial Plan (Non-Appropriated) and Actual (Page 2 of 3)

### General Fund

Year ended December 31, 2006

Exhibit 11

	Original/Final Financial Plan Amount	Actual Amounts	Variance with Final Financial Plan Positive (Negative)
<b>Expenditures</b>			
Current: (continued)			
Information technology:			
Personnel costs	\$ 444,600	\$ 429,217	\$ 15,383
Materials and supplies	15,100	25,772	(10,672)
Utilities	17,800	2,284	15,516
Repairs and maintenance	5,000	3,684	1,316
Professional services	69,100	61,431	7,669
Contractual services	24,400	31,812	(7,412)
General and administrative	8,300	11,084	(2,784)
<b>Total information technology</b>	<b>584,300</b>	<b>565,284</b>	<b>19,016</b>
Technical services:			
Personnel costs	565,900	643,231	(77,331)
Materials and supplies	4,300	3,464	836
Utilities	4,000	2,195	1,805
Professional services	270,800	286,382	(15,582)
Contractual services	700	60	640
General and administrative	86,100	46,129	39,971
<b>Total technical services</b>	<b>931,800</b>	<b>981,461</b>	<b>(49,661)</b>
Staff services:			
Personnel costs	296,200	293,619	2,581
Materials and supplies	45,800	25,660	20,140
Utilities	35,000	25,708	9,292
Repairs and maintenance	5,000	2,451	2,549
Professional services		605	(605)
Contractual services	46,500	47,745	(1,245)
General and administrative	8,600	4,654	3,946
<b>Total staff services</b>	<b>437,100</b>	<b>400,442</b>	<b>36,658</b>
Safety and maintenance:			
Personnel costs	16,100	16,152	(52)
Materials and supplies	4,400	3,171	1,229
Utilities	34,800	46,185	(11,385)
Repairs and maintenance	39,000	29,705	9,295
Professional services		31	(31)
Contractual services	41,700	29,463	12,237
General and administrative	10,200	14,410	(4,210)
<b>Total safety and maintenance</b>	<b>146,200</b>	<b>139,117</b>	<b>7,083</b>

# Gulf Coast Waste Disposal Authority

## Schedule of Revenues, Expenditures, and Changes

in Fund Balance - Financial Plan (Non-Appropriated) and Actual (Page 3 of 3)

### General Fund

Year ended December 31, 2006

Exhibit 11

	Original/Final Financial Plan Amount	Actual Amounts	Variance with Final Financial Plan Positive (Negative)
<b>Expenditures</b>			
Current: (continued)			
Industrial management:			
Personnel costs	\$ 929,600	\$ 948,917	\$ (19,317)
Materials and supplies	12,100	11,280	820
Utilities	1,500	1,060	440
Professional services	10,000	1,699	8,301
Contractual services	7,300	5,972	1,328
General and administrative	28,900	9,014	19,886
<b>Total industrial management</b>	<b>989,400</b>	<b>977,942</b>	<b>11,458</b>
Human resources:			
Personnel costs	196,400	190,966	5,434
Materials and supplies	3,100	3,337	(237)
Utilities	400	290	110
Professional services	43,000	16,349	26,651
General and administrative	44,000	32,590	11,410
<b>Total human resources</b>	<b>286,900</b>	<b>243,532</b>	<b>43,368</b>
<b>Total general services</b>	<b>4,828,200</b>	<b>4,879,389</b>	<b>(51,189)</b>
Capital outlay	62,500	29,076	33,424
Interest expense		76,581	(76,581)
Principal payments on promissory note		216,672	(216,672)
<b>Total expenditures</b>	<b>4,890,700</b>	<b>5,201,718</b>	<b>(311,018)</b>
<b>Excess of revenues over         (under) expenditures</b>	<b>181,800</b>	<b>36,719</b>	<b>(145,081)</b>
<b>Other financing sources</b>			
Proceeds from loan		3,000,000	3,000,000
<b>Net change in fund balance</b>	<b>\$ 181,800</b>	<b>3,036,719</b>	<b>\$ 2,854,919</b>
Beginning fund balance		6,420,296	
<b>Ending fund balance</b>		<b>\$ 9,457,015</b>	

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2006**

**SPECIAL REVENUE FUNDS**

**Blackhawk Regional Wastewater Treatment Facility,  
Alief Regional Wastewater Treatment Facility and Odessa South Facility**

These funds account for the operation of the above wastewater treatment facilities. Revenues to operate these facilities 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 either through monthly or quarterly revenue billings to cover budgeted expenditures followed by periodic variance adjustments or invoices for reimbursement of actual costs.

**Blackhawk Contingency Reserve Fund**

This fund accounts for the contributions of participants of the Blackhawk Regional Wastewater Treatment Facility for capital equipment replacement pursuant to the facility contracts.

**Campbell Bayou Industries Solid Waste Facility**

This fund accounts for the operations of an industrial landfill and land treatment and disposal of hazardous and nonhazardous solid wastes. The agreement with participants provides for the participants' payment of cost through quarterly revenue billings to cover budgeted expenditures followed by annual 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.

**Campbell Bayou Closure/Post-Closure**

This fund accounts for closing operations and post-closure monitoring and maintenance of closed cells of the industrial landfill at the Campbell Bayou Facility.

**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."

**CAPITAL PROJECTS FUNDS**

The Capital Projects Fund accounts for financing and construction of environmental improvement capital projects at facilities owned operated by the Authority. The operations of these facilities are reported as GCWDA Special Revenue Funds.

**Blackhawk Lift Station Odor Control and Rehab Project**

To account for the cost of improvements for Lift Station 142-2 at the Blackhawk Regional Facility. This project is being financed by municipal participants in the Blackhawk facility.

**40-Acre Facility Project**

To account for construction costs for an activated sludge treatments unit. This project is being financed by the participants of the 40-Acre Facility.

**Gulf Coast Waste Disposal Authority**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**December 31, 2006**

	<b>Special Revenue Funds</b>			
	<b>Blackhawk Regional Facility</b>	<b>Blackhawk Contingency Reserve</b>	<b>Alief Regional Facility</b>	<b>Odessa South Facility</b>
<b><u>Assets</u></b>				
Current assets:				
Equity in pooled cash and investments	\$ 267,274	\$ 277,790	\$ 16,674	\$ 704,719
Receivables	383,609	1,789	897	105,258
Prepaid costs	14,867		3	12,136
<b>Total assets</b>	<b>665,750</b>	<b>279,579</b>	<b>17,574</b>	<b>822,113</b>
<b><u>Liabilities and Fund Balance</u></b>				
Liabilities:				
Accounts payable	90,937		49	160,583
Wages payable	8,912			14,959
Interfund loan payable	15,064			12,346
Advance for working capital	550,837		17,525	634,225
<b>Total liabilities</b>	<b>665,750</b>		<b>17,574</b>	<b>822,113</b>
Fund Balances:				
Reserved for prepaids	14,867		3	12,136
Unreserved	(14,867)	279,579	(3)	(12,136)
<b>Total fund balances</b>		<b>279,579</b>		
<b>Total liabilities and fund balances</b>	<b>\$ 665,750</b>	<b>\$ 279,579</b>	<b>\$ 17,574</b>	<b>\$ 822,113</b>

Exhibit 12

			Capital Project Funds		
Campbell Bayou Industries Solid Waste Facility	Campbell Bayou Closure/Post- closure	Component Unit GCIDA	Blackhawk Project	40-Acre Facility Project	Total Nonmajor Governmental Funds
\$ 256,809	\$ 11,751	\$ 1,985	\$		\$ 1,537,002
21,960	2,294			338,180	853,987
1,496	2,237				30,739
280,265	16,282	1,985		338,180	2,421,728
3,705	11,221		24	339,729	606,248
24,009	2,799				50,679
1,533	2,262				31,205
251,018					1,453,605
280,265	16,282		24	339,729	2,141,737
1,496	2,237				30,739
(1,496)	(2,237)	1,985	(24)	(1,549)	249,252
		1,985	(24)	(1,549)	279,991
\$ 280,265	\$ 16,282	\$ 1,985	\$	\$ 338,180	\$ 2,421,728

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Non-major Governmental Funds**  
**Year ended December 31, 2006**

	<b>Special Revenue Funds</b>			
	<b>Blackhawk Regional Facility</b>	<b>Blackhawk Contingency Reserve</b>	<b>Alief Regional Facility</b>	<b>Odessa South Facility</b>
<b><u>Revenues</u></b>				
Services to industries	\$	\$	\$	\$ 2,580,957
Services to municipalities	1,983,131		2,080	
Investment earnings (loss)	11,539	10,948	677	29,040
Other revenues		18,757		
<b>Total revenues</b>	<b>1,994,670</b>	<b>29,705</b>	<b>2,757</b>	<b>2,609,997</b>
<b><u>Expenditures</u></b>				
Current:				
Wastewater treatment	1,994,670		2,757	2,609,997
Solid waste disposal				
Capital outlay:				
Wastewater treatment				
<b>Total expenditures</b>	<b>1,994,670</b>		<b>2,757</b>	<b>2,609,997</b>
<b>Net change in fund balance</b>		29,705		
Beginning Fund balances		249,874		
<b>Ending Fund balances</b>	<b>\$</b>	<b>\$ 279,579</b>	<b>\$</b>	<b>\$</b>

Exhibit 13

Campbell Bayou Industries Solid Waste Facility	Campbell Bayou Closure/Post- closure	Component Unit GCIDA	Capital Projects Fund		Total Nonmajor Governmental Funds
			Blackhawk Project	40-Acre Facility Project	
\$ 446,436	\$ 564,377	\$ 1,000	\$ (595)	\$ 1,574,433	\$ 5,165,608
12,653	(307)	85	14	(797)	1,986,211
					63,852
					18,757
459,089	564,070	1,085	(581)	1,573,636	7,234,428
					4,607,424
459,089	564,070				1,023,159
				1,575,185	1,575,185
459,089	564,070			1,575,185	7,205,768
		1,085	(581)	(1,549)	28,660
		900	557		251,331
\$	\$	\$ 1,985	\$ (24)	\$ (1,549)	\$ 279,991



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**GULF COAST WASTE DISPOSAL AUTHORITY**  
**NONMAJOR ENTERPRISE FUNDS**  
**December 31, 2006**

**Vince Bayou Facility**

To account for the revenues and expenses of the operation 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 Treatment Facility for treatment.

**Municipal Operations**

This fund accounts for the operations of municipal wastewater treatment plants 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.

**Washburn Pipeline Services**

This fund accounts for the acquisition, operation, and maintenance of various pipelines for transport of industrial waste to the Washburn Tunnel Facility for treatment. The fund was created in 2003 to help the industries in the Houston Ship Channel area with waste transportation needs. The fund operates two pipelines as of year end.

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Net Assets**  
**Non-major Enterprise Funds**  
**December 31, 2006**

**Exhibit 14**

	<b>Vince Bayou Facility</b>	<b>Municipal Operations</b>	<b>Washburn Pipeline Services</b>	<b>Total Nonmajor Enterprise Funds</b>
<b><u>Assets</u></b>				
Current assets:				
Equity in pooled cash and investments	\$ 673,672	\$ 337,648	\$	\$ 1,011,320
Receivables	88,857	21,652	85,145	195,654
Prepays	1,404	127	121	1,652
Total current assets	<u>763,933</u>	<u>359,427</u>	<u>85,266</u>	<u>1,208,626</u>
Noncurrent assets:				
Capital assets:				
Plant and equipment	1,692,827		97,940	1,790,767
Less: accumulated depreciation	(711,227)		(24,462)	(735,689)
Total capital assets (net of accumulated depreciation)	<u>981,600</u>		<u>73,478</u>	<u>1,055,078</u>
Total noncurrent assets	<u>981,600</u>		<u>73,478</u>	<u>1,055,078</u>
<b>Total assets</b>	<u>1,745,533</u>	<u>359,427</u>	<u>158,744</u>	<u>2,263,704</u>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable	12,561	1,706		14,267
Wages payable	4,206	633		4,839
Due to other funds			5,043	5,043
Current portion of interfund loan payable			11,838	11,838
Total current liabilities	<u>16,767</u>	<u>2,339</u>	<u>16,881</u>	<u>35,987</u>
Noncurrent liabilities:				
Interfund loan payable			53,040	53,040
Deferred revenue			81,179	81,179
Total noncurrent liabilities			<u>134,219</u>	<u>134,219</u>
<b>Total liabilities</b>	<u>16,767</u>	<u>2,339</u>	<u>151,100</u>	<u>170,206</u>
<b><u>Net Assets</u></b>				
Invested in capital assets	981,600		8,600	990,200
Unrestricted	<u>747,166</u>	<u>357,088</u>	<u>(956)</u>	<u>1,103,298</u>
<b>Total net assets</b>	<u>\$ 1,728,766</u>	<u>\$ 357,088</u>	<u>\$ 7,644</u>	<u>\$ 2,093,498</u>

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Non-major Enterprise Funds**  
**Year ended December 31, 2006**

**Exhibit 15**

	<b><u>Vince Bayou Facility</u></b>	<b><u>Municipal Operations</u></b>	<b><u>Washburn Pipeline Services</u></b>	<b><u>Total Nonmajor Enterprise Funds</u></b>
<b><u>Operating revenues</u></b>				
Charges for sales and services	\$ 517,044	\$ 123,010	\$ 8,976	\$ 649,030
Other revenues	2,036			2,036
<b>Total operating revenues</b>	<b>519,080</b>	<b>123,010</b>	<b>8,976</b>	<b>651,066</b>
<b><u>Operating expenses</u></b>				
Costs of sales and services	483,355	86,855		570,210
Administrative	29,265	2,015	267	31,547
Depreciation	59,815		7,545	67,360
<b>Total operating expenses</b>	<b>572,435</b>	<b>88,870</b>	<b>7,812</b>	<b>669,117</b>
<b>Operating income (loss)</b>	<b>(53,355)</b>	<b>34,140</b>	<b>1,164</b>	<b>(18,051)</b>
<b><u>Nonoperating revenues (expenses)</u></b>				
Investment income	27,573	13,280	6,923	47,776
Interest expense			(3,304)	(3,304)
<b>Total nonoperating revenues (expenses)</b>	<b>27,573</b>	<b>13,280</b>	<b>3,619</b>	<b>44,472</b>
<b>Change in net assets</b>	<b>(25,782)</b>	<b>47,420</b>	<b>4,783</b>	<b>26,421</b>
Beginning net assets	1,754,548	309,668	2,861	2,067,077
<b>Ending net assets</b>	<b>\$ 1,728,766</b>	<b>\$ 357,088</b>	<b>\$ 7,644</b>	<b>\$ 2,093,498</b>

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Cash Flows**  
**Non-major Enterprise Funds**  
**Year ended December 31, 2006**

**Exhibit 16**

	<b>Vince Bayou Facility</b>	<b>Municipal Operations</b>	<b>Washburn Pipeline Services</b>	<b>Total Nonmajor Enterprise Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers and users	\$ 505,659	\$ 114,682	\$ 19,273	\$ 639,614
Payments to suppliers	(274,150)	(59,523)	(11,424)	(345,097)
Payments to employees	(227,863)	(29,145)		(257,008)
<b>Net cash provided by operating activities</b>	<b>3,646</b>	<b>26,014</b>	<b>7,849</b>	<b>37,509</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Acquisition and construction of capital assets	(2,624)			(2,624)
Principal paid on interfund loan			(11,469)	(11,469)
Interest paid on interfund loan			(3,099)	(3,099)
<b>Net cash provided (used) by capital and related Financing activities</b>	<b>(2,624)</b>		<b>(14,568)</b>	<b>(17,192)</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest received	27,573	13,280	6,719	47,572
<b>Net cash provided by investing activities</b>	<b>27,573</b>	<b>13,280</b>	<b>6,719</b>	<b>47,572</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28,595</b>	<b>39,294</b>		<b>67,889</b>
Beginning cash and cash equivalents	645,077	298,354		943,431
<b>Ending cash and cash equivalents</b>	<b>\$ 673,672</b>	<b>\$ 337,648</b>	<b>\$</b>	<b>\$ 1,011,320</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>				
Operating income (loss)	\$ (53,355)	\$ 34,140	\$ 1,164	\$ (18,051)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	59,815		7,545	67,360
<b><u>Changes in Operating Assets and Liabilities:</u></b>				
<b>(Increase) Decrease in current assets:</b>				
Accounts receivable	(13,418)	(8,327)	10,298	(11,447)
Prepays	511	738	24	1,273
<b>(Increase) Decrease in current liabilities:</b>				
Wages payable	1,433	84		1,517
Accounts payable	8,660	(621)		8,039
Due to other funds			(2,206)	(2,206)
Deferred revenue			(8,976)	(8,976)
<b>Net cash provided by operating activities</b>	<b>\$ 3,646</b>	<b>\$ 26,014</b>	<b>\$ 7,849</b>	<b>\$ 37,509</b>

**GULF COAST WASTE DISPOSAL AUTHORITY**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2006**

**Pretreatment Legislation Fund**

To account for revenues and expenditures for support of public law that offers pretreatment categorical exemptions to Authority industrial customers.

**Casualty Insurance Risk Reserve Fund**

To account 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 funds on the same basis as the actual liability insurance premiums.

**Compensated Absences Fund**

To account 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.

**Employees' Health Care Fund**

To account 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. All operating funds participate in the Plan and make 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**

To account for the revenues and expenses generated through equipment lease services provided to GCWDA facilities.

**Data Processing Fund**

To account for the revenues and expenses generated through data processing services provided to GCWDA facilities.

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2006**

	<b><u>Pretreatment Legislation</u></b>	<b><u>Casualty Insurance Risk Reserve</u></b>	<b><u>Compensated Absences</u></b>
<b><u>Assets</u></b>			
Current assets:			
Equity in pooled cash and investments	\$ 208,226	\$ 347,061	\$ 2,539,832
Receivables			
Prepays			
Total current assets	<u>208,226</u>	<u>347,061</u>	<u>2,539,832</u>
Noncurrent assets:			
Capital assets:			
Construction in progress			
Plant and equipment			
Less: accumulated depreciation			
Total capital assets (net of accumulated depreciation)			
Total noncurrent assets			
<b>Total assets</b>	<u>208,226</u>	<u>347,061</u>	<u>2,539,832</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	8,000		
Current portion of accrued compensated absences			1,142,269
Total current liabilities	<u>8,000</u>		<u>1,142,269</u>
Noncurrent liabilities:			
Accrued compensated absences			1,063,584
Total noncurrent liabilities			<u>1,063,584</u>
<b>Total liabilities</b>	<u>8,000</u>		<u>2,205,853</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt			
Unrestricted	<u>200,226</u>	<u>347,061</u>	<u>333,979</u>
<b>Total net assets</b>	<u>\$ 200,226</u>	<u>\$ 347,061</u>	<u>\$ 333,979</u>

**Exhibit 17**

<b>Employees' Health Care</b>	<b>Equipment Service</b>	<b>Data Processing</b>	<b>Total</b>
\$ 998,260	\$ 1,566,587	\$ 43,991	\$ 5,703,957
209,807			209,807
	458	245	703
<u>1,208,067</u>	<u>1,567,045</u>	<u>44,236</u>	<u>5,914,467</u>
	101,099	6,031	107,130
	2,217,365	834,741	3,052,106
	(1,718,866)	(605,829)	(2,324,695)
	<u>599,598</u>	<u>234,943</u>	<u>834,541</u>
	<u>599,598</u>	<u>234,943</u>	<u>834,541</u>
<u>1,208,067</u>	<u>2,166,643</u>	<u>279,179</u>	<u>6,749,008</u>
219,235	68,124	13,588	308,947
			1,142,269
<u>219,235</u>	<u>68,124</u>	<u>13,588</u>	<u>1,451,216</u>
			1,063,584
			<u>1,063,584</u>
<u>219,235</u>	<u>68,124</u>	<u>13,588</u>	<u>2,514,800</u>
	599,598	234,943	834,541
988,832	1,498,921	30,648	3,399,667
<u>\$ 988,832</u>	<u>\$ 2,098,519</u>	<u>\$ 265,591</u>	<u>\$ 4,234,208</u>



**Gulf Coast Waste Disposal Authority**  
*Combining Statement of Revenue, Expenses,  
and Changes in Fund Net Assets*  
**Internal Service Funds**  
Year ended December 31, 2006

	<b><u>Pretreatment Legislation</u></b>	<b><u>Casualty Insurance Risk Reserve</u></b>	<b><u>Compensated Absences</u></b>
<b><u>Operating revenues</u></b>			
Charges for sales and services	\$	\$	\$
Other revenues	113,370		
<b>Total operating revenues</b>	<u>113,370</u>		
<b><u>Operating expenses</u></b>			
Costs of sales and services	96,169	344	82,204
Administration	4,039		
Depreciation			
<b>Total operating expenses</b>	<u>100,208</u>	<u>344</u>	<u>82,204</u>
<b>Operating income (loss)</b>	<u>13,162</u>	<u>(344)</u>	<u>(82,204)</u>
<b><u>Nonoperating revenues (expenses)</u></b>			
Investment income	7,128	13,918	98,347
Interest expense			
Gain (loss) on sale of capital assets			
<b>Total nonoperating revenues (expenses)</b>	<u>7,128</u>	<u>13,918</u>	<u>98,347</u>
<b>Change in net assets</b>	20,290	13,574	16,143
Beginning net assets	<u>179,936</u>	<u>333,487</u>	<u>317,836</u>
<b>Ending net assets</b>	<u>\$ 200,226</u>	<u>\$ 347,061</u>	<u>\$ 333,979</u>

**Exhibit 18**

<b>Employees' Health Care</b>	<b>Equipment Service</b>	<b>Data Processing</b>	<b>Total</b>
\$ 2,023,249	\$ 154,786	\$ 204,611	\$ 2,382,646
590,485			703,855
<u>2,613,734</u>	<u>154,786</u>	<u>204,611</u>	<u>3,086,501</u>
1,917,961	22,795	112,888	2,232,361
382,902	2,763	395	390,099
	<u>115,802</u>	<u>103,648</u>	<u>219,450</u>
<u>2,300,863</u>	<u>141,360</u>	<u>216,931</u>	<u>2,841,910</u>
312,871	13,426	(12,320)	244,591
44,240	61,398	1,958	226,989
(6,630)			(6,630)
	<u>11,901</u>		<u>11,901</u>
<u>37,610</u>	<u>73,299</u>	<u>1,958</u>	<u>232,260</u>
350,481	86,725	(10,362)	476,851
638,351	2,011,794	275,953	3,757,357
<u>\$ 988,832</u>	<u>\$ 2,098,519</u>	<u>\$ 265,591</u>	<u>\$ 4,234,208</u>

**Gulf Coast Waste Disposal Authority**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year ended December 31, 2006**

	<b>Pretreatment Legislation</b>	<b>Casualty Insurance Risk Reserve</b>	<b>Compensated Absences</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 113,370	\$	\$
Payments to suppliers	(92,208)	(344)	68,436
<b>Net cash provided (used) by operating activities</b>	<b>21,162</b>	<b>(344)</b>	<b>68,436</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets			
Proceeds from sale of capital assets			
<b>Net cash (used) by capital and related financing activities</b>			
<b><u>Cash Flows from Investing Activities</u></b>			
Interest received	7,128	13,918	98,347
<b>Net cash provided by investing activities</b>	<b>7,128</b>	<b>13,918</b>	<b>98,347</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28,290</b>	<b>13,574</b>	<b>166,783</b>
Beginning cash and cash equivalents	179,936	333,487	2,373,049
<b>Ending cash and cash equivalents</b>	<b>\$ 208,226</b>	<b>\$ 347,061</b>	<b>\$ 2,539,832</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	13,162	(344)	(82,204)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation			
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in current assets:</b>			
Accounts receivable			
Prepays			
<b>Increase (Decrease) in current liabilities:</b>			
Wages payable			150,640
Accounts payable	8,000		
<b>Net cash provided (used) by operating activities</b>	<b>\$ 21,162</b>	<b>\$ (344)</b>	<b>\$ 68,436</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Gain (Loss) on disposition of capital assets			

**Exhibit 19**

<b>Employees' Health Care</b>	<b>Equipment Service</b>	<b>Data Processing</b>	<b>Total</b>
\$ 2,462,881	\$ 154,786	\$ 204,611	\$ 2,935,648
<u>(2,255,572)</u>	<u>42,224</u>	<u>(107,648)</u>	<u>(2,345,112)</u>
<u>207,309</u>	<u>197,010</u>	<u>96,963</u>	<u>590,536</u>
	(195,581)	(181,078)	(376,659)
	<u>11,901</u>		<u>11,901</u>
	(183,680)	(181,078)	(364,758)
37,610	61,398	1,958	220,359
<u>37,610</u>	<u>61,398</u>	<u>1,958</u>	<u>220,359</u>
244,919	74,728	(82,157)	446,137
<u>753,341</u>	<u>1,491,859</u>	<u>126,148</u>	<u>5,257,820</u>
<u>\$ 998,260</u>	<u>\$ 1,566,587</u>	<u>\$ 43,991</u>	<u>\$ 5,703,957</u>
312,871	13,426	(12,320)	244,591
	115,802	103,648	219,450
(150,854)			(150,854)
	(342)	(97)	(439)
			150,640
<u>45,292</u>	<u>68,124</u>	<u>5,732</u>	<u>127,148</u>
<u>\$ 207,309</u>	<u>\$ 197,010</u>	<u>\$ 96,963</u>	<u>\$ 590,536</u>
	\$ 11,901		\$ 11,901

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# **GULF COAST WASTE DISPOSAL AUTHORITY**

## **AGENCY FUNDS**

**December 31, 2006**

### **City of League City Sewer System Facilities Contract Revenue Refunding Bonds Reserve Fund – Series 1985**

To account for, as custodian for the City of League City, the assets required by the bond resolution to be held in reserve in an amount equal to the greatest amount annual debt service requirement on the bonds.

### **City of League City Sewer System Facilities Contract Revenue Refunding Bonds Interest and Sinking Fund – Series 1985**

To account for, as custodian for the City of League City, the investment earnings of the Reserve Fund (see above) and the amounts received for debt service from the City. These funds are required by bond resolution to be maintained in an Interest and Sinking Fund to be used to pay the debt service requirements on the bonds.

### **Texas Conservation Fund**

To account for, as custodian for the Texas Conservation Association, the contributions and disbursements of the organization. The fund was created in November 2000 as an alternative source of funding for the annual “Trash Bash” event. The fund is included in the pooled cash and cash equivalents and participates in allocation of investment earnings.

**Gulf Coast Waste Disposal Authority**  
*Combining Statement of Net Assets*  
*Agency Funds*  
*December 31, 2006*

**Exhibit 20**

	<b>League Series 1985 Reserve</b>	<b>League City Series 1985 Interest and Sinking</b>	<b>Texas Conservation</b>	<b>Total</b>
<b><u>Assets</u></b>				
Equity in pooled cash and investments	\$	\$	\$ 86,081	\$ 86,081
<b>Total assets</b>			86,081	86,081
<b><u>Liabilities</u></b>				
Other liabilities			86,081	86,081
<b>Total liabilities</b>	\$	\$	\$ 86,081	\$ 86,081

**Gulf Coast Waste Disposal Authority**  
*Combining Statement of Changes in Assets and Liabilities*  
**Agency Funds**  
*December 31, 2006*

**Exhibit 21**

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending Balance</u></b>
<b>City of League City Series 1985 Reserve Fund</b>				
<b><u>Assets</u></b>				
Equity in pooled cash and investments	<u>\$ 705,000</u>	<u>\$</u>	<u>\$ 705,000</u>	<u>\$</u>
<b><u>Liabilities</u></b>				
Other liabilities	<u>\$ 705,000</u>	<u>\$</u>	<u>\$ 705,000</u>	<u>\$</u>
<b>City of League City Series 1985 Interest and Sinking Fund</b>				
<b><u>Assets</u></b>				
Equity in pooled cash and investments	<u>\$ 22,665</u>	<u>\$ 7,197</u>	<u>\$ 29,862</u>	<u>\$</u>
<b><u>Liabilities</u></b>				
Other liabilities	<u>\$ 22,665</u>	<u>\$ 7,197</u>	<u>\$ 29,862</u>	<u>\$</u>
<b>Texas Conversation Fund</b>				
<b><u>Assets</u></b>				
Equity in pooled cash and investments	<u>\$ 64,572</u>	<u>\$ 72,396</u>	<u>\$ 50,887</u>	<u>\$ 86,081</u>
<b><u>Liabilities</u></b>				
Other liabilities	<u>\$ 64,572</u>	<u>\$ 72,396</u>	<u>\$ 50,887</u>	<u>\$ 86,081</u>
<b>Total All Agency Funds</b>				
<b><u>Assets</u></b>				
Equity in pooled cash and investments	<u>\$ 792,237</u>	<u>\$ 79,593</u>	<u>\$ 785,749</u>	<u>\$ 86,081</u>
<b><u>Liabilities</u></b>				
Other liabilities	<u>\$ 792,237</u>	<u>\$ 79,593</u>	<u>\$ 785,749</u>	<u>\$ 86,081</u>



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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, 2006**

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Air Pollution 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 Environmental Improvement Project	1986	07/15/86	2009	**	7,000,000
Exxon Pollution Control Project Revenue Refunding Bonds	1989	10/01/89	2024	**	20,493,000
Amoco Oil Company Project Solid Waste Disposal Revenue Bonds	1991	05/01/91	2015	**	
Amoco Oil Company Project Pollution Control Revenue Refunding Bonds	1992	09/01/92	2017	**	14,065,000
Monsanto Company Project Pollution Control Revenue Refunding Bonds	1992	09/01/92	2005	6.100%	2,000,000
Quaker Oats Company Project Solid Waste Disposal Revenue Refunding Bonds	1994	04/01/94	2006	5.700%	
Amoco Oil Company Project Pollution Control Revenue Bonds	1994	06/01/94	2024	**	
Amoco Oil Company Project Solid Waste Disposal Revenue Refunding Bonds	1994	08/01/94	2023	**	
Amoco Oil Company Project Solid Waste Disposal Revenue Bonds	1995	07/01/95	2027	**	
Exxon Project Pollution Control Revenue Refunding Bonds	1995	11/29/95	2020	**	21,216,000
Amoco Oil Company Project Taxable Pollution Control Revenue Bonds	1995	11/01/95	2026	**	
Amoco Oil Company Project Pollution Control and Solid Waste Disposal Revenue Refunding Bonds	1996	03/01/96	2024	**	
Amoco Oil Company Project Environmental Facilities Revenue Bonds	1997	04/01/97	2026	**	
Amoco Oil Company Project Environmental Facilities Revenue Bonds	1998	01/01/98	2026	**	
USX Corporation Environment Revenue Bonds	1998	03/01/98	2017	5.500%	

\* Rate as of 12/31/06, adjusted rate bonds

\*\* Variable rate

Water Pollution Facilities		Environmental Improvement	Solid Waste Disposal	Total	Amount Retired	Amount Outstanding
Owned by the Authority	Conveyed to Industry					
\$ 8,280,000	\$ 2,132,000	\$	\$	\$ 2,600,000 8,280,000	\$ 600,000	\$ 2,000,000 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	
				2,000,000	2,000,000	
			13,410,000	13,410,000	13,410,000	
	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
	84,000,000			84,000,000	84,000,000	
	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, 2006**

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Air Pollution Control</u>
Valero Energy Corporation Project Waste Disposal Revenue Bonds	1998	03/01/98	2032	5.600%	\$
Armco Inc. Project Variable Rate Revenue Refunding Bonds	1998	08/01/98	2008	3.950% *	
Reliant Energy Incorporated Revenue Refunding Bonds	1999	04/01/99	2011	4.700%	
Valero Energy Corporation Project Waste Disposal Revenue Bonds	1999	02/01/99	2032	5.700%	
Union Carbide Corporation Project Pollution Control Revenue Refunding Bonds	1999	01/01/99	2012	5.100%	
Air Products Project Solid Waste Disposal Revenue Bonds	1999	06/01/99	2034	**	
Air Products Project Solid Waste Disposal Revenue Bonds	2000	03/01/00	2035	4.000% *	
Exxon Mobil Project Environmental Facilities Revenue Bonds	2000	05/31/00	2030	3.990%	
Valero Energy Corporation Project Waste Disposal Revenue Bonds	2001	03/01/01	2032	6.650%	
Amoco Oil Company Environmental Facilities Revenue Bonds	2001	04/01/01	2032	**	
Republic Waste Services of Texas, Ltd.	2001	04/01/01	2023	4.000% *	
Exxon Mobil Environmental Facility Revenue Bonds	2001A	04/23/01	2030	3.900% *	
Exxon Mobil Environmental Facility Revenue Bonds	2001B	04/23/01	2025	3.900% *	
Occidental Chemical Corporation Environmental Facilities Revenue Refunding Bonds	2001	10/01/01	2006	**	
American Acryl L.P. Project Environmental Facilities Revenue Bonds	2001	09/14/01	2036	**	
BP Products North America, Inc. Environmental Facilities Revenue Bonds	2002	1/1/02	2036	**	

\* Rate as of 12/31/06, adjusted rate bonds

\*\* Variable rate

Water Pollution Facilities		Environmental Improvement	Solid Waste Disposal	Total	Amount Retired	Amount Outstanding
Owned by the Authority	Conveyed 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
		25,195,000		25,195,000	25,195,000	
		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, 2006**

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Air Pollution Control</u>
Exxon Mobil Environmental Facility Revenue Bonds	2002	2/1/02	2025	3.980% *	\$
Anheuser-Busch Project Sewage and Solid Waste Disposal Revenue Bonds	2002	4/1/02	2036	5.900%	
International Paper Company Project	2002A	8/18/02	2024	6.100%	
Exxon Mobil Environmental Facility Revenue Bonds	2003	4/1/03	2025	3.980% *	
Waste Management of Texas, Inc. Solid Waste Disposal Revenue Bonds	2003A	4/1/03	2028	5.200% *	
Waste Management of Texas, Inc. Solid Waste Disposal Revenue Bonds	2003B	4/1/03	2028	3.500% *	
Waste Management of Texas, Inc. Solid Waste Disposal Revenue Bonds	2003C	4/1/03	2028	5.200% *	
American Acryl L.P. Environmental Facilities Revenue Bonds	2003	5/1/03	2038	4.000% *	
BP Amoco Chemical Company Environmental Facilities Revenue Bonds	2003	5/1/03	2038	**	
BP Products North America Inc. Environmental Facilities Revenue Bonds	2003	5/1/03	2034	**	
BP Amoco Chemical Company Environmental Facilities Revenue Bonds	2003B	8/1/03	2038	**	
Waste Management of Texas, Inc. Solid Waste Disposal Revenue Bonds	2003D	10/1/03	2012	4.550% *	
Waste Management of Texas, Inc. Solid and Western Waste Industries Project	2004A	3/1/04	2019	3.950% *	
CenterPoint Energy Houston Electric, LLC Project	2004	3/1/04	2012	3.625%	
Air Products Environmental Facilities Revenue Bonds	2004	12/1/04	2039	4.000%	
Republic Waste Services of Texas, Ltd. Project	2004	12/1/04	2034	**	
BP Products North America Inc. Project	2004	12/8/04	2031	**	
Air Products Environmental Facilities Revenue Bonds	2005	4/1/05	2040	**	
BP Products North America Inc. Project Revenue Refunding Bonds	2005	5/1/05	2026	**	
BP Projects North America Inc. Project	2006	5/2/06	2036	**	
<b>Totals</b>					<u>\$ 65,242,000</u>

\* Rate as of 12/31/06, adjusted rate bonds

\*\* Variable rate

Exhibit 22

Water Pollution Facilities		Environmental Improvement	Solid Waste Disposal	Total	Amount Retired	Amount Outstanding
Owned by the Authority	Conveyed 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
<u>\$ 8,280,000</u>	<u>\$ 221,106,310</u>	<u>\$ 513,290,000</u>	<u>\$ 526,086,690</u>	<u>\$ 1,334,005,000</u>	<u>\$ 213,420,000</u>	<u>\$ 1,120,585,000</u>



**Gulf Coast Waste Disposal Authority**  
**Municipal Projects - Contract Revenue**  
**Bonds Issued and Outstanding**  
**December 31, 2006**

**Exhibit 23**

	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Issued Disposal</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>
Cedar Bayou Park Utility District Sewer System Contract Revenue Bonds	1978	11/1/78	2008	7.500%	320,000	265,000	55,000
City of League City Sewer System Contract Revenue Refunding Bonds Capital Appreciation Bonds	1985	12/1/85	2006	9.000% - 9.875%	<u>2,549,683</u>	<u>2,549,683</u>	<u>          </u>
<b>Totals</b>					<u><u>\$ 2,869,683</u></u>	<u><u>\$ 2,814,683</u></u>	<u><u>\$ 55,000</u></u>

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**Gulf Coast Waste Disposal Authority**  
***Gulf Coast Industrial Development Authority - Industrial***  
***Development Revenue Bonds Issued and Outstanding***  
***December 31, 2006***

	<b>Series</b>	<b>Date Issued</b>	<b>Final Maturity</b>	<b>Interest Rate</b>
Amoco Oil Company Adjusted Rate Marine Terminal Revenue Bonds Project	1985	6/1/1985	2025	**
Reynolds Metals Company Project	1985	12/1/1985	2015	5.400%
PetroUnited Terminals, Inc. Project	1989	11/1/1989	2019	**
Champion International Multi-Modal Interchange Waste Disposal Revenue Bonds	1994	4/1/1994	2026	**
Gruma Corporation Project Variable Rate Demand Revenue Bonds	1994	11/29/1994	2009	**
Mobil Oil Corporation Project Pollution Control Revenue Bonds	1997	7/1/1997	2007	4.950%
Mueller Flow Technologies, Inc. Project	1997	7/1/1997	2017	4.000%
Valero Refining and Marketing Company Project	1997	12/1/1997	2031	5.600%
CITGO Petroleum Environmental Facilities Revenue Bonds	1998	8/1/1998	2028	8.000%
Nesseki Chemical Texas, Inc. Industrial Revenue Bonds	1998	10/1/1998	2008	**
CITGO Petroleum Corporation Project Environmental Facilities Revenue Bonds	1999	4/1/1999	2029	**
Harsco Corporation Project Economic Development Revenue Bonds	2000	5/1/2000	2010	3.670%
CITGO Petroleum Corporation Environmental Facilities Revenue Bonds	2001	3/1/2001	2031	**
CITGO Petroleum Facilities Revenue Bonds	2002	3/1/2002	2032	**
BP Global Power Corp. Project	2003	4/1/2003	2038	**
CITGO Petroleum Corporation Project	2004	5/1/2004	2032	**
Cinergy Solutions - CST Green Power, L.P. Project	2004	5/12/2004	2039	3.800%
Microgy Project Environmental Facilities Revenue Bonds	2006	11/1/2006	2036	7.000%

**Totals**

\* Rate as of 12/31/06, adjusted rate bonds

\*\* Variable rate bond

**Exhibit 24**

<b>Amount Issued</b>	<b>Amount Retired</b>	<b>Amount Outstanding</b>
\$ 14,350,000	\$ 2,285,000	\$ 12,065,000
1,200,000	1,200,000	
12,400,000	5,200,000	7,200,000
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
7,000,000	7,000,000	
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
<u>\$ 443,300,000</u>	<u>\$ 101,365,000</u>	<u>\$ 341,935,000</u>

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## **STATISTICAL SECTION**

# **Gulf Coast Waste Disposal Authority**

## ***Net Assets By Component***

### ***Last Six Years (1)***

**(accrual basis of accounting)**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Governmental activities				
Invested in capital assets, net of related debt	\$ 28,857,199	\$ 26,573,541	\$ 27,227,848	\$ 26,359,067
Unrestricted	8,213,224	9,003,796	8,946,529	8,798,321
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, 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	26,375,188	30,560,154	30,456,754	21,459,437
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, 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	34,588,412	39,563,950	39,403,283	30,257,758
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 six years are available at this time.

**Exhibit 25**

<u>2005</u>	<u>2006</u>
\$ 24,362,755	\$ 24,213,172
9,571,716	12,729,583
<u>\$ 33,934,471</u>	<u>\$ 36,942,755</u>
\$ 13,120,166	\$ 16,618,976
4,129,420	4,168,561
25,394,915	23,164,268
<u>\$ 42,644,501</u>	<u>\$ 43,951,805</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>



# **Gulf Coast Waste Disposal Authority**

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

### *Last Six Years (1)*

(accrual basis of accounting)

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<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				
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 service				
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				
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 six years are available at this time.

**Exhibit 26**

<u>2005</u>	<u>2006</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>
25,417,276	27,990,061
39	
<u>25,417,315</u>	<u>27,990,061</u>
<u>\$ 51,901,433</u>	<u>\$ 56,615,102</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>
25,138,101	27,920,349
<u>25,138,101</u>	<u>27,920,349</u>
<u>\$ 49,836,824</u>	<u>\$ 58,876,765</u>
\$ (1,785,395)	\$ 2,331,375
(279,214)	(69,712)
<u>\$ (2,064,609)</u>	<u>\$ 2,261,663</u>

# **Gulf Coast Waste Disposal Authority**

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

### ***Last Six Years (1)***

***(accrual basis of accounting)***

<b>General Revenues and Other Changes in Net Assets</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</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 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	3,961,769	3,071,941	170,646	1,337,710
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 six years are available at this time.

**Exhibit 26**

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

**Gulf Coast Waste Disposal Authority**  
**Fund Balances, Governmental Funds**  
**Last Six 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>
 All Other Governmental Funds				
Reserved	\$ 104,007	\$ 188,866	\$ 152,804	\$ 114,850
Unreserved, reported in:				
Special revenue funds	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 six years are available at this time.

**Exhibit 27**

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

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

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Revenues</b>				
Charges for services	\$ 18,510,756	\$ 20,065,687	\$ 21,752,837	\$ 21,855,986
Contributions		604,647		1,175,095
Intergovernmental	2,299,708	2,489,356	2,905,339	3,071,938
Investment earnings	466,454	290,635	183,813	179,522
Other revenues	526,197	77,287	322,427	192,772
Total revenues	<u>21,803,115</u>	<u>23,527,612</u>	<u>25,164,416</u>	<u>26,475,313</u>
<b>Expenditures</b>				
General services	4,187,983	4,205,682	4,478,754	4,723,388
Wastewater treatment	14,944,554	16,516,537	16,785,155	18,505,531
Solid waste disposal	840,341	910,809	967,336	1,016,103
Capital outlay	1,605,847	741,687	3,389,520	2,556,302
Debt service				
Total expenditures	<u>21,578,725</u>	<u>22,374,715</u>	<u>25,620,765</u>	<u>26,801,324</u>
Excess of revenues over (under) expenditures	224,390	1,152,897	(456,349)	(326,011)
<b>Other Financing Sources (Uses)</b>				
Transfers in			82,037	
Prior period adjustment	(315,334)			
Total other financing sources (uses)	<u>(315,334)</u>		<u>82,037</u>	
Net change in fund balances	<u>\$ (90,944)</u>	<u>\$ 1,152,897</u>	<u>\$ (374,312)</u>	<u>\$ (326,011)</u>

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

**Exhibit 28**

<b>2005</b>	<b>2006</b>
\$ 21,780,527	\$ 24,609,687
2,889,327	3,299,100
186,153	451,777
<u>28,869</u>	<u>254,493</u>
<u>24,884,876</u>	<u>28,615,057</u>
4,648,414	4,879,389
19,019,769	20,774,730
889,273	1,023,159
650,806	3,189,371
	<u>293,253</u>
<u>25,208,262</u>	<u>30,159,902</u>
(323,386)	(1,544,845)
266,990	3,000,000
<u>266,990</u>	<u>3,000,000</u>
<u>\$ (56,396)</u>	<u>\$ 1,455,155</u>



**Gulf Coast Waste Disposal Authority**

**Bayport Major Customers**

**Exhibit 29**

**Current Year and Five Years Ago (1)**

**(modified accrual basis of accounting)**

Customer	2006			2001		
	Total Sales	Rank	% of Total Sales	Total Sales	Rank	% of Total Sales
Celanese LTD	\$ 3,863,295	1	16.74%	\$ 3,437,621	1	18.50%
Lyondell Chemical Company	3,028,717	2	13.12%	2,437,437	2	13.12%
Albermarle Catalysts Company LP	2,375,124	3	10.29%		n/a	
Dixie Chemical	1,350,568	4	5.85%	917,066	6	4.94%
Kaneka Texas Corp	1,057,854	5	4.58%	1,113,686	4	6.00%
Lubrizol Corporation	1,049,290	6	4.55%		n/a	
Huish Detergents Inc.	872,359	7	3.78%		n/a	
Baker Petrolite	753,439	8	3.26%		n/a	
Equistar Bayport Chemicals LP	713,623	9	3.09%	954,075	5	5.14%
PPG Industries	707,098	10	3.06%	595,342	10	3.21%
Akzo Nobel Chemicals, Inc.		n/a		1,973,148	3	10.62%
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%
Subtotal	\$ 15,771,367		68.34%	\$ 13,593,906		73.19%
Other customers	7,305,688		31.66%	4,979,944		26.81%
Total	\$ 23,077,055		100.00%	\$ 18,573,850		100.00%

Source: GCWDA 2001 CAFR  
2006 General Ledger

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

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Net income	\$ 3,128,674	\$ 2,487,632	\$ 2,324,472	\$ 3,810,423
Add items not includable in current expenses:				
Bond interest expense	2,336,011	2,101,052	2,028,255	2,084,695
Depreciation	2,918,062	2,915,894	2,912,404	3,316,019
Management fees	<u>335,160</u>	<u>344,220</u>	<u>331,136</u>	<u>338,088</u>
Pledge revenues	8,717,907	7,848,798	7,596,267	9,549,225
Average annual debt service on outstanding bonds	<u>\$ 3,444,154</u>	<u>\$ 3,423,583</u>	<u>\$ 3,400,516</u>	<u>\$ 3,374,550</u>
Coverage by pledged revenues of average annual debt service on outstanding bonds	2.53	2.29	2.23	2.83

**Exhibit 30**

<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$ 3,641,119	\$ 2,785,341	\$ 237,712	\$ 100,560	\$ 602,928	\$ 1,061,033
1,865,054	1,862,038	1,805,219	1,935,773	2,443,000	2,339,387
3,509,082	3,381,829	3,365,147	3,536,328	3,572,981	3,915,355
<u>341,100</u>	<u>363,900</u>	<u>368,004</u>	<u>359,496</u>	<u>378,696</u>	<u>489,996</u>
9,356,355	8,393,108	5,776,082	5,932,157	6,997,605	7,805,771
<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>
2.80	3.31	2.34	1.55	1.85	2.10

**Gulf Coast Waste Disposal Authority*****Full-Time Equivalent Authority Employees by Function/Program*****Exhibit 31*****Last Ten Years***

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General services	41	42	43	38	35	35	33	33	29	29
Wastewater treatment	125	119	115	120	118	120	119	120	123	120
Solid waste disposal	13	8	4	3	3	3	3	3		
	<u>179</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>

Source: Human Resources

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

**Exhibit 32**

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
<b>Function/Program</b>						
Wastewater Treatment						
Waste water treated (MGD)	55.277	53.767	50.749	50.010	43.785	47.827
Permitted capacity (MGD)	112.550	109.650	109.650	109.650	109.650	109.650
Solid Waste Disposal						
Nonhazardous waste						
received (cubic yards)	3,817	12,248	6,200	5,374	9,472	10,848
Permitted capacity						
(cubic yards)	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 six 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 Six Years (1)*

Exhibit 33

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

Source: Various Facilities

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



**Gulf Coast Waste Disposal Authority**  
***TSI-1 Services and Rates***  
***Year ended December 31, 2006***

**Exhibit 34**

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, 2006**

**Exhibit 35**

<b>Personnel services</b>	\$ 14,961,870
<b>Materials and supplies</b>	6,076,901
<b>Utilities</b>	10,622,032
<b>Repairs and maintenance</b>	2,415,863
<b>Professional services</b>	2,232,340
<b>Contractual services</b>	8,976,991
<b>General and administrative</b>	1,841,872
<b>Special studies</b>	114,008
<b>Interest and amortization</b>	2,696,592
<b>Depreciation</b>	6,676,633
<b>TOTAL EXPENSES</b>	<u><u>\$ 56,615,102</u></u>

\*Number of persons employed by the Authority: 148 Full-Time, 1 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 presents both fund types this schedule is prepared at government-wide level.

**Gulf Coast Waste Disposal Authority**  
**TSI-3 Schedule of Temporary Investments**  
**Year ended December 31, 2006**

**Exhibit 36**

	<b>Identification or Certificate Number</b>	<b>Effective Yield</b>	<b>Maturity Date</b>	<b>Balance at End of Year (Amortized Cost)</b>	<b>*Accrued Interest Receivable</b>
Bank of America - Master Acct	Concentration	20bps off Fed Funds daily rate	N/A	\$ 1,402,822	\$
Texpool	N/A	5.319%	N/A	6,074,889	
FHLB	3133XGGT5	5.350%	1/7/2007	500,000	6,688
FNMA	3136F47K4	4.400%	2/12/2007	499,436	5,614
FFCB	31331SMU4	3.500%	2/15/2007	1,000,000	8,750
FHLB	3133XFK54	5.250%	2/26/2007	500,000	6,563
FHLB	3133X76B5	3.500%	2/28/2007	1,000,000	8,750
FHLB	3133XEQ77	5.640%	3/2/2007	500,000	6,250
FHLB	3133XEQH5	5.000%	3/8/2007	500,000	6,250
FHLMC	3128X4ED9	3.750%	3/15/2007	1,000,000	9,375
FHLB	3133XD2U4	4.700%	3/19/2007	499,582	5,858
FHLB	3133X5EW4	4.710%	3/30/2007	<u>497,431</u>	<u>5,786</u>
Total temporary investments				<u>\$ 13,974,160</u>	<u>\$ 69,884</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, 2006**

**Exhibit 37**

Due During the Year Ending	Annual Requirements for All Series			
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	Total
2007	\$ 2,655,000	\$ 1,122,725	\$ 1,122,725	\$ 4,900,450
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>\$ 45,795,000</u>	<u>\$ 10,576,363</u>	<u>\$ 10,576,363</u>	<u>\$ 66,947,726</u>

Due During the Year Ending	Series, 2002			
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	Total
2007	\$ 2,265,000	\$ 600,625	\$ 600,625	\$ 3,466,250
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>\$ 24,025,000</u>	<u>\$ 3,626,500</u>	<u>\$ 3,626,500</u>	<u>\$ 31,278,000</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, 2006**

**Exhibit 37**

Due During the Year Ending	Series, 2004			
	Principal Due 10/01	Interest Due 4/01	Interest Due 10/01	Total
2007	\$ 390,000	\$ 522,100	\$ 522,100	\$ 1,434,200
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>\$ 21,770,000</u>	<u>\$ 6,949,863</u>	<u>\$ 6,949,863</u>	<u>\$ 35,669,726</u>

**Gulf Coast Waste Disposal Authority**  
**TSI-6 Changes in Long-Term Bonded Debt**  
**Year ended December 31, 2006**

**Exhibit 38**

Revenue Bonds	Interest Rate	Bonds Outstanding 1/1/2006	Requirements Fiscal Year 2006				Bonds Outstanding 12/31/06
			Principal due 10/01	Interest due 04/01	Interest due 10/01	Total	
Series, 2002	5.0	\$ 24,025,000	\$	\$ 600,625	\$ 600,625	\$ 1,201,250	\$ 24,025,000
Series, 2004	2.0-5.0	24,275,000	2,505,000	584,725	584,725	3,674,450	21,770,000
		<u>\$ 48,300,000</u>	<u>\$ 2,505,000</u>	<u>\$ 1,185,350</u>	<u>\$ 1,185,350</u>	<u>\$ 4,875,700</u>	<u>\$ 45,795,000</u>

**Paying Agent's Name & City**

Series, 2002 The Bank of New York Dallas, TX

Series, 2004 The Bank of New York Dallas, TX

Debt Service cash and investments balances as of December 31, 2006	<u>\$ 4,168,561</u>
Average annual Debt Service payment (Principal and Interest) for remaining term of all debt	<u>\$ 3,719,318</u>

**Gulf Coast Waste Disposal Authority**  
**TSI-7 Comparative Schedule of Revenues and Expenditures**  
**Governmental Funds**  
**For Five Years ended December 31, 2006**

	AMOUNTS				
	2006	2005	2004	2003	2002
<b>Revenues:</b>					
Services to industries	\$ 22,623,476	\$ 19,768,670	\$ 20,995,183	\$ 19,439,687	\$ 17,989,510
Services to municipalities	1,986,211	2,011,857	2,035,898	1,706,408	1,635,640
Intergovernmental	3,299,100	2,889,327	3,071,938	2,905,339	2,489,356
Investment income	451,777	186,153	179,522	173,896	278,544
Other	254,493	28,869	192,772	322,427	77,287
Total revenues	<u>28,615,057</u>	<u>24,884,876</u>	<u>26,475,313</u>	<u>24,547,757</u>	<u>22,470,337</u>
<b>Expenditures:</b>					
General services	4,879,389	4,648,414	4,723,388	4,478,754	4,205,682
Wastewater	20,774,730	19,019,769	18,505,531	16,785,155	16,516,537
Solid waste	1,023,159	889,273	1,016,103	967,336	910,809
Capital outlay	3,189,371	650,806	2,556,302	1,943,884	625,876
Debt service	293,253				
Total expenditures	<u>30,159,902</u>	<u>25,208,262</u>	<u>26,801,324</u>	<u>24,175,129</u>	<u>22,258,904</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,544,845)</u>	<u>\$ (323,386)</u>	<u>\$ (326,011)</u>	<u>\$ 372,628</u>	<u>\$ 211,433</u>
Total active industrial and municipal customers	<u>34</u>	<u>34</u>	<u>33</u>	<u>33</u>	<u>32</u>

**Exhibit 39**

<b>PERCENT OF TOTAL REVENUES</b>				
<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
79.1%	79.4%	79.3%	79.2%	80.1%
6.9%	8.1%	7.7%	7.0%	7.3%
11.5%	11.7%	11.6%	11.8%	11.1%
1.6%	0.7%	0.7%	0.7%	1.2%
0.9%	0.1%	0.7%	1.3%	0.3%
100.00%	100.00%	100.00%	100.00%	100.00%
17.1%	18.7%	17.8%	18.2%	18.7%
72.6%	76.4%	69.9%	68.4%	73.5%
3.6%	3.6%	3.8%	3.9%	4.1%
11.0%	2.6%	9.7%	7.9%	2.8%
1.0%				
105.3%	101.3%	101.2%	98.4%	99.1%
-5.3%	-1.3%	-1.2%	1.6%	0.9%



**Gulf Coast Waste Disposal Authority**  
**TSI-7 Comparative Schedule of Revenues and Expenses**  
**Enterprise Funds**  
**For Five Years ended December 31, 2006**

	AMOUNTS				
	2006	2005	2004	2003	2002
<b>Operating revenues:</b>					
Charges for services	\$ 27,743,522	\$ 24,835,477	\$ 25,691,045	\$ 21,964,502	\$ 22,701,865
Penalties and other	176,827	302,624	288,736	278,275	229,745
Total revenues	27,920,349	25,138,101	25,979,781	22,242,777	22,931,610
<b>Expenditures:</b>					
Cost of sales and services	20,501,522	18,065,988	17,571,786	15,663,555	14,435,415
Administrative	711,167	731,830	757,175	904,531	813,176
Depreciation	4,277,218	3,931,211	3,888,865	3,662,037	3,620,783
Total expenditures	25,489,907	22,729,029	22,217,826	20,230,123	18,869,374
Operating income	2,430,442	2,409,072	3,761,955	2,012,654	4,062,236
<b>Non-Operating Revenues (Expenses):</b>					
Interest income	1,363,854	1,231,697	914,478	696,173	1,351,447
Bond interest	(2,339,387)	(2,443,000)	(1,935,773)	(1,805,219)	(1,862,038)
Other interest	(17,541)	(23,289)	(57,133)	(57,316)	(62,500)
Bond issuance and refunding	(91,498)	(201,015)	(1,411,434)	(600,705)	(266,623)
Gain (loss) on disposal of capital assets	(58,856)	(24,230)	58,858	(8,420)	(159,994)
Total non-operating revenues (expenses)	(1,143,428)	(1,459,837)	(2,431,004)	(1,775,487)	(999,708)
Net Income	\$ 1,287,014	\$ 949,235	\$ 1,330,951	\$ 237,167	\$ 3,062,528
Total active industrial and municipal participants	109	109	94	100	97

Exhibit 40

PERCENT OF TOTAL REVENUES				
2006	2005	2004	2003	2002
99.4%	98.8%	98.9%	98.7%	99.0%
0.6%	1.2%	1.1%	1.3%	1.0%
100.0%	100.0%	100.0%	100.0%	100.0%
73.4%	71.9%	67.6%	70.4%	62.9%
2.5%	2.9%	2.9%	4.1%	3.5%
15.3%	15.6%	15.0%	16.5%	15.8%
91.2%	90.4%	85.5%	91.0%	82.2%
8.8%	9.6%	14.5%	9.0%	17.8%
4.9%	4.9%	3.5%	3.1%	5.9%
-8.4%	-9.7%	-7.5%	-8.1%	-8.1%
-0.1%	-0.1%	-0.2%	-0.3%	-0.3%
-0.3%	-0.8%	-5.4%	-2.7%	-1.2%
-0.2%	-0.1%	0.2%	0.0%	-0.7%
-4.1%	-5.8%	-9.4%	-8.0%	-4.4%
4.7%	3.8%	5.1%	1.0%	13.5%

**Gulf Coast Waste Disposal Authority**  
**TSI-8 Board Members and Administrative Personnel**  
**Year ended December 31, 2006**

**Exhibit 41**

<b>Complete District Mailing Address:</b>	<u>910 Bay Area Boulevard, Houston, Texas 77058</u>
<b>District Business Telephone Number:</b>	<u>(281) 488-4115</u>
<b>Submission Date of the most recent District Registration Form</b> (TWC Sections 36.054 and 49.054):	<u>05/14/04</u>
<b>Limit on Fees of Office that a Director may receive during a fiscal year:</b> (Set by Board Resolution - TWC Section 49.060)	<u>\$7,200</u>

<b><u>NAMES:</u></b>	<b><u>Term of Office or Date Hired</u></b>	<b><u>Elected/ Appointed</u></b>	<b><u>Fees of Office Paid 12/31/06</u></b>	<b><u>Expenses Reimbursed 12/31/06</u></b>	<b><u>Title at Year End</u></b>
<b>BOARD MEMBERS:</b>					
J. Mark Schultz, Chairman	09/01/04-08/31/06*	Appointed (2)	\$ 7,200	\$ 12,825	Chairman
Rita Standridge	09/01/04-08/31/06*	Appointed (3)	7,200	8,380	Vice Chair
Irvin W. Osborne-Lee	01/19/00-08/31/01*	Appointed (3)	7,200	8,819	Treasurer
Sam Dell'Olio	09/01/00-08/31/02*	Appointed (1)	5,700	6,048	Secretary
Zoe Milian Barinaga	09/01/01-08/31/03*	Appointed (1)	1,050	182	Member
Ron Crowder	09/01/03-08/31/05*	Appointed (3)	4,650	6,384	Member
Shirley Seale	09/01/00-08/31/02*	Appointed (1)	2,700	1,524	Member
Franklin D.R. Jones, Jr.	09/01/03-08/31/05*	Appointed (2)	7,200	14,234	Member
James A. Matthews	09/01/03-08/31/05*	Appointed (2)	6,000	5,420	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	244,239	General Manager
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**CONSULTANTS:**

Olson and Olson	01/01/80	N/A	96,730	General Counsel
McCall, Parkhurst & Horton	01/01/73	N/A	3,000	Bond Counsel
Lawrence R. Catuzzi	01/01/73	N/A	41,667	Financial Advisor
Null-Lairson	10/01/06	N/A	0	External Auditors

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL**

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## **Independent Auditors' Report on Internal Control Structure**

To the Board of Directors of  
Gulf Coast Waste Disposal Authority

In planning and performing our audit of the financial statements of Gulf Coast Waste Disposal Authority ("the Authority") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and 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 (*referred to as 06-01 and 06-02*) 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: Increased risk of financial data loss.

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

### ***06-02 – Fraud Policy***

Condition: The Authority's fraud policy does not include risk assessments pertaining to a paperless environment and has not been approved by the Board of Directors.

To the Board of Directors of  
Gulf Coast Waste Disposal Authority

Effect: Increased susceptibility to fraudulent activity and material misstatement of the financial statements.

Recommendation: Update the policy to include fraud risk assessments and controls needed to mitigate identified risks in a paperless environment. Once complete, submit the policy for Board approval.

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiency. Item 06-03 below is considered to be a control deficiency.

***06-03 – Payroll Documentation***

Condition: Six forms W-4 and one direct deposit authorization was missing from a sample of 40 personnel files tested.

Effect: Increased likelihood of improper payroll deposits and employee wage withholdings.

Recommendation: Review files periodically to ensure that all deductions and direct deposits are supported by employee direction forms.

This report is intended solely for the information and use of management, board of directors, and Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

*Null-Jainson, A.C.*

Houston, Texas  
March 9, 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  
910 Bay Area Boulevard • Houston, Texas 77058  
Phone: 281-488-4115 • [www.gcwda.com](http://www.gcwda.com)