

## RULE 15c2-12 FILING COVER SHEET

This cover sheet is sent with all submissions to the Municipal Securities Rulemaking Board (the Nationally Recognized Municipal Securities Information Repository) and any applicable State Information Depository pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 or any analogous state statute.

**Issuer Name: Gulf Coast Water Authority**

**Issue(s):**

\$ 4,320,000 Water System Contract Revenue Refunding Bonds, Series 2011E (Galveston)

**Filing Format** X electronic \_\_\_ paper; If available on the Internet, give URL: \_\_\_\_\_

**CUSIP Numbers to which the information filed relates (optional):**

X Nine-digit number(s) (see following page(s)):

\_\_\_ Six-digit number if information filed relates to all securities of the issuer

\* \* \*

### Financial & Operating Data Disclosure Information

\_\_\_ Annual Financial Report or CAFR

X Financial Information & Operating Data

\_\_\_ Other (describe)

X Fiscal Period Covered: FYE 2012

\_\_\_ Monthly \_\_\_ Quarterly X Annual \_\_\_ Other:

\* \* \*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Bob Webb

Name: Bob Webb Title: Business Administrator

Employer: Gulf Coast Water Authority

Voice Telephone Number: (409) 935-2438

Email Address: bwebb@gcwater.org

## DESCRIPTION OF ISSUES COVERED BY THIS REPORT

### Water System Contract Revenue Refunding Bonds, Series 2011E (Galveston)

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
08/15/13	\$ 680,000	40223N LG9
08/15/14	700,000	40223N LH7
08/15/15	725,000	40223N LJ3
08/15/16	755,000	40223N LK0
08/15/17	795,000	40223N LL8
	<u>\$ 3,655,000</u>	

CONTINUING DISCLOSURE REPORT  
FOR THE  
FISCAL YEAR ENDED AUGUST 31, 2012

GULF COAST WATER AUTHORITY

GCWA DEBT - GALVESTON DEBT



## **FINANCIAL STATEMENTS**

The audited financial statements for the Authority for the fiscal year ended August 31, 2012 are being separately filed directly with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

## **SIGNATURE OF ISSUER**

The information set forth herein has been obtained from the Authority and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described.

### **GULF COAST WATER AUTHORITY**

/s/ Bob Webb

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Bob Webb

Business Administrator

Approved for Submission:

02/26/2013

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Date

## **CERTIFICATE OF SUBMISSION OF ANNUAL REPORT**

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for the Gulf Coast Water Authority with respect to the issues listed on the report cover was submitted directly to the National Recognized Municipal Securities Information Repository ("NRMSIR") listed below as well as to any applicable State Information Depository ("SID").

### **NRMSIR**

Municipal Securities Rulemaking Board ("MSRB")  
via the Electronic Municipal Market Access ("EMMA") system

First Southwest Company

Signed by:

/s/ Ashley Allen

# GULF COAST WATER AUTHORITY – CITY OF GALVESTON

## 2012 CONTRACT REVENUE DEBT REPORT

**TABLE 1 – CITY OF GALVESTON DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

Fiscal Year Ending August 31	Series 2006 <sup>(2)</sup>	Series 2011A <sup>(3)</sup>	Series 2011E <sup>(4)</sup>	Series 2012 <sup>(5)</sup>	Total Debt Service Requirements
2013	\$ 1,016,432	\$ 1,533,357	\$ 815,025	\$ 876,905	\$ 4,241,719
2014	1,019,703	1,532,278	814,625	856,744	4,223,349
2015	1,025,315	1,535,369	811,625	855,854	4,228,163
2016	1,031,359	1,534,142	812,625	859,623	4,237,750
2017	1,035,479	2,496,886	814,875	852,939	5,200,178
2018		2,443,493		861,027	3,304,520
2019		2,439,174		858,548	3,297,722
2020		2,441,137		855,729	3,296,866
2021		2,440,230		857,569	3,297,798
2022		2,442,438		853,955	3,296,392
	<u>\$ 5,128,288</u>	<u>\$20,838,505</u>	<u>\$ 4,068,775</u>	<u>\$ 8,588,890</u>	<u>\$ 38,624,458</u>

- (1) The Authority is the sole source of the City's supply of treated water and has issued bonds on the City's behalf to finance transmission and distribution facilities related thereto. In addition, the City has issued bonds directly for non-water related municipal purposes. The Series 2006 Bonds, Series 2011A Bonds, Series 2011E Bonds and Series 2012 Bonds are all payable by the City out of the revenues of its waterworks and sewer system without preference of priority. However, the City's obligations with respect to each series is contained in separate but similar water facilities financing agreements and such series are not technically parity bonds secured by a single resolution and supplements thereto.
- (2) Represents the City's agreement to pay a portion of the total debt service on the Authority's Contract Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Cities of Pearland, Galveston, and Texas City executed Interim Water Supply Contracts with the Authority to facilitate its issuance of the Series 2006 Bonds, which financed the purchase of the Chocolate Bayou Water Company.
- (3) Represents the City's agreement to pay 98.149% of the total debt service on the Authority's Water System Contract Revenue Refunding Bonds (South Project) Series 2011A (the "Series 2011A Bonds"). This percentage is estimated based on current construction costs. Several other municipalities and governmental entities that purchase potable water from the Authority pay for the remaining portion of the debt service on the Series 2011A Bonds and pay all of the debt service on the Authority's Water System Contract Revenue Refunding Bonds (South Project) Series 2011B (the "Series 2011B Bonds"). The City and those entities are jointly and severally obligated on the debt service on both of the Series 2011A Bonds and the Series 2011B Bonds. The currently outstanding principal amount of the Series 2011B Bonds is \$3,105,000. The Series 2011A Bonds and Series 2011B Bonds refunded the Authority's outstanding Water System Contract Revenue Bonds (South Project) Series 1998A Bonds and Water System Contract Revenue Bonds (South Project) Series 1998B Bonds, respectively, which financed the South Project, an expansion of the Authority's Mackey Plant and related transmission facilities from such Mackey Plant to bring potable water to the City and certain public entities on the mainland which formerly purchased potable water from the City.
- (4) Represents the City's agreement to pay the total debt service on the Authority's Water System Contract Revenue Refunding Bonds (City of Galveston Project) Series 2011E (the "Series 2011E Bonds"). The Series 2011E Bonds refunded the Authority's Water System Contract Revenue Bonds, Series 1997, which financed facilities for potable water transportation to and within the City.
- (5) Represents the City's agreement to pay the total debt service on the Authority's Water System Contract Revenue Refunding Bonds (City of Galveston Project) Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds refunded the Authority's Water System Contract Revenue Bonds, Series 2002, which financed facilities for potable water transportation to and within the City.

**TABLE 2 – ADDITIONAL CITY OF GALVESTON WATER SYSTEM DEBT**

Fiscal Year Ended 9/30	Principal	Interest	Total <sup>(1)</sup>
2013	\$ 2,200,000	\$ 1,421,900	\$ 3,621,900
2014	2,230,000	1,395,121	3,625,121
2015	2,310,000	1,313,086	3,623,086
2016	2,400,000	1,236,106	3,636,106
2017	2,480,000	1,155,176	3,635,176
2018	2,565,000	1,068,676	3,633,676
2019	2,665,000	977,056	3,642,056
2020	2,755,000	883,756	3,638,756
2021	2,030,000	780,356	2,810,356
2022	2,110,000	702,894	2,812,894
2023	2,200,000	620,619	2,820,619
2024	1,500,000	536,619	2,036,619
2025	1,565,000	470,994	2,035,994
2026	1,635,000	402,525	2,037,525
2027	1,710,000	328,950	2,038,950
2028	1,785,000	252,000	2,037,000
2029	1,865,000	171,675	2,036,675
2030	1,950,000	87,750	2,037,750
	<u>\$ 37,955,000</u>	<u>\$ 13,805,261</u>	<u>\$ 51,760,261</u>

(1) Represents the City of Galveston, Texas Waterworks and Sewer System Revenue Bonds, Series 2003, the City of Galveston, Texas Waterworks and Sewer System Revenue and Refunding Bonds, Series 2006 and the City of Galveston, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2012.

**FUND BALANCES**

The ordinance for the issuance of the City of Galveston Waterworks and Sewer System Revenue Bonds requires the City to maintain certain separate funds related to all such outstanding bonds. The unaudited balances of these funds as of November 30, 2012 are shown below:

**TABLE 3 – FUND BALANCES**

Water Debt Service Fund.....	\$ 1,897,462
Sewer Debt Service Fund.....	\$ 2,617,615
Water Debt Reserve Fund.....	\$ 1,239,492
Sewer Debt Reserve Fund.....	\$ 2,405,333

**TABLE 4 – CURRENT INVESTMENTS**

As of November 30, 2012, the City’s investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
TexPool	68.48%	\$ 66,906,923	\$ 66,924,444
Money Market Accounts	31.52%	30,798,458	30,866,849
	<u>100.00%</u>	<u>\$ 97,705,381</u>	<u>\$ 97,791,293</u>

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

**HISTORICAL WATER CONSUMPTION (GALLONS)**

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Number of Customers <sup>(2)</sup>	Water Usage (MG)			Total Usage	Total Revenue
			Average Day Usage	Peak Day Usage	Peak Month Usage		
2008	59,186	25,409	16.564	20.300	631.400	5,963.200	\$ 14,002,008
2009	50,308	20,559	14.577	21.000	629.900	5,816.000	13,741,420
2010	56,391	25,083	16.029	21.590	556.744	5,850.542	14,294,937
2011	47,473	21,910	15.176	19.196	539.037	5,979.434	15,412,157
2012	48,444	21,323	14.666	18.118	525.510	5,778.564	16,319,290

(1) Source: U.S. Census Bureau for 2008-2009. Texas State Data Center for 2010.

(2) Source: The City of Galveston, Texas.



**WATERWORKS SYSTEM STATEMENT OF NET ASSETS**

Assets	Fiscal Year Ended September 30,				
	2012 <sup>(1)</sup>	2011	2010	2009	2008
<b>Current Assets:</b>					
Cash and Temporary Investments	\$ 6,372,642	\$ 5,571,419	\$ 2,108,845	\$ 5,891,353	\$ 2,506,804
Accounts Receivable, Net of Allowance for Doubtful Accounts:	3,348,559	3,197,700	2,298,808	2,628,825	3,185,823
Due From Funds	370,499	370,499	4,521,542	353,565	-
Inventories	42,544	12,267	12,912	27,155	45,338
Prepaid Expenses	5,861	16,907	15,655	15,177	4,667
<b>Restricted Assets:</b>					
Cash and Investments	11,760,769	13,373,584	13,874,476	18,604,955	27,910,455
Investments With Trustee	4,251,179	4,699,908	5,794,412	5,869,527	6,185,285
<b>Total Current Assets</b>	<b>\$ 26,152,053</b>	<b>\$ 27,242,284</b>	<b>\$ 28,626,650</b>	<b>\$ 33,390,557</b>	<b>\$ 39,838,372</b>
<b>Noncurrent Assets:</b>					
Deferred Charges	\$ 960,120	\$ 1,044,695	\$ 1,406,231	\$ 1,506,395	\$ 1,606,558
Contractual Rights to Water Supply	15,042,905	-	-	-	15,367,889
Capital Assets, Not Being Depreciated	12,264,047	20,541,519	27,006,475	15,866,623	6,468,149
Capital Assets, Net of Depreciation Where Applicable	72,655,401	73,373,499	58,076,643	60,141,515	38,527,712
<b>Total Noncurrent Assets</b>	<b>\$ 100,922,473</b>	<b>\$ 94,959,713</b>	<b>\$ 86,489,349</b>	<b>\$ 77,514,533</b>	<b>\$ 61,970,308</b>
<b>Total Assets</b>	<b>\$ 127,074,526</b>	<b>\$ 122,201,997</b>	<b>\$ 115,115,999</b>	<b>\$ 110,905,090</b>	<b>\$ 101,808,680</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Accrued Expenses	1,205,721	668,094	1,246,518	2,016,223	1,033,776
Accrued Interest Payable	648,612	602,795	540,493	493,313	372,260
Due to Other Governments	5,730	7,174	5,779	21,621	19,333
Customer Deposits	1,162,900	1,134,873	1,112,866	1,106,579	1,140,533
Unearned Revenue	776,585	776,524	2,000	-	-
<b>Long-Term Debt, Current Portion:</b>					
Compensated Absences	6,006	6,006	6,006	8,916	6,006
Capital Lease Obligation	-	-	-	-	-
Contracts Payable	-	2,889,183	2,839,152	2,709,675	2,354,262
Notes Payable	541,500	525,555	510,069	495,050	480,473
Bonds and Certificates of Obligation Payable	4,016,977	1,004,087	967,275	938,266	889,336
<b>Total Current Liabilities</b>	<b>\$ 8,364,031</b>	<b>\$ 7,614,291</b>	<b>\$ 7,230,158</b>	<b>\$ 7,789,643</b>	<b>\$ 6,295,979</b>
<b>Non-Current Liabilities:</b>					
<b>Long-Term Debt, Non-Current Portion:</b>					
Compensated Absences	204,319	191,790	183,042	188,106	163,351
Contracts Payable	30,167,424	33,260,684	36,750,918	39,590,070	35,329,745
Notes Payable	5,019,656	5,561,147	6,086,691	5,596,761	3,591,811
Bonds and Certificates of Obligation Payable	21,936,251	22,962,135	23,951,758	24,904,568	25,828,370
<b>Total Non-Current Liabilities</b>	<b>\$ 57,327,650</b>	<b>\$ 61,975,756</b>	<b>\$ 66,972,409</b>	<b>\$ 70,279,505</b>	<b>\$ 64,913,277</b>
<b>Total Liabilities</b>	<b>\$ 65,691,681</b>	<b>\$ 69,590,047</b>	<b>\$ 74,202,567</b>	<b>\$ 78,069,148</b>	<b>\$ 71,209,256</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	46,533,074	37,675,100	28,316,326	21,450,664	22,086,564
Restricted for Debt Service	7,129,301	7,577,626	6,648,518	2,876,209	6,586,302
Unrestricted	7,720,470	7,359,224	5,948,588	8,509,069	1,926,558
<b>Total Net Assets</b>	<b>\$ 61,382,845</b>	<b>\$ 52,611,950</b>	<b>\$ 40,913,432</b>	<b>\$ 32,835,942</b>	<b>\$ 30,599,424</b>

(1) Unaudited.

**WATERWORKS SYSTEM BALANCE SHEET <sup>(1)</sup>**

	Fiscal Year Ended September 30,			
	2003	2002	2001	2000
<b>Current Assets</b>				
Equity in Pooled Cash and Investments	\$ 189,941	\$ 342,137	\$ 2,148,708	\$ 3,345,472
Investments with Trustee	-	-	-	-
Receivables:				
Interest	4,496	4,244	36,258	42,644
Utility Accounts	1,746,493	2,524,247	1,346,124	1,648,495
Accounts	-	-	195,951	88,973
Due from Other Funds	1,012,026	863,282	-	3,383,608
Due from Other Governments	241,128	29,972	-	-
Advances	-	-	-	9,256
Prepaid Items	214,130	214,130	-	-
Inventory, at Cost	128,916	223,290	19,224	19,224
<b>Total Current Assets</b>	<b>\$ 3,537,130</b>	<b>\$ 4,201,302</b>	<b>\$ 3,746,265</b>	<b>\$ 8,537,672</b>
<b>Restricted Assets</b>				
Equity in Pooled Cash and Investments:	\$ 2,893,513	2,871,125	\$ -	\$ -
Customer Deposits	-	-	879,249	821,736
Revenue Bond Construction Account	-	-	1,564,097	-
Revenue Bond Current Debt Service Account	-	-	670,997	168,088
Revenue Bond Future Debt Service Account	-	-	501,969	504,186
Other Assets with Trustee	12,338,607	15,568,292	12,577,021	4,558,986
<b>Total Restricted Assets</b>	<b>\$ 15,232,120</b>	<b>\$ 18,439,417</b>	<b>\$ 16,193,333</b>	<b>\$ 6,052,996</b>
Deferred Charges	1,938,769	1,936,551	469,532	594,926
Contractual Rights to Water Supply	19,758,713	19,706,929	24,640,000	24,640,000
<b>Fixed Assets</b>				
Land	\$ 517,100	\$ 517,100	\$ 494,250	\$ 494,250
Buildings	7,933,202	7,933,202	7,750,511	4,378,156
Improvements Other Than Buildings	34,448,744	33,881,920	33,047,301	46,706,558
Equipment	2,057,342	1,982,982	1,616,327	1,320,524
Construction in Progress	10,349,065	8,389,808	8,915,923	9,283,579
<b>Total Fixed Assets</b>	<b>55,305,453</b>	<b>52,705,012</b>	<b>51,824,312</b>	<b>62,183,067</b>
Less Accumulated Depreciation	21,366,605	20,259,354	19,195,730	20,679,920
<b>Net Fixed Assets</b>	<b>33,938,848</b>	<b>32,445,658</b>	<b>32,628,582</b>	<b>41,503,147</b>
<b>TOTAL ASSETS</b>	<b>\$ 74,405,580</b>	<b>\$ 76,729,857</b>	<b>\$ 77,677,712</b>	<b>\$ 81,328,741</b>

## Fiscal Year Ended September 30,

	2003	2002	2001	2000
<b>Current Liabilities</b>				
Salaries Payable	\$ 30,542	\$ 51,091	\$ 27,202	\$ 27,541
Accounts Payable	267,296	1,313,427	135,634	18,390
Compensated Absences Payable	5,100	54,468	45,135	53,491
Contracts Payable	303,747	-	940,278	552,438
Advance Deposits	-	-	-	9,256
Advance Rentals and Fees	-	-	-	-
General Obligation Bonds Payable - Current	-	-	-	-
Accrued Pension and Fringe Benefits Payable	-	-	7,858	-
Accrued Interest Payable	-	-	-	4,764
Long Term Contracts Payable	-	-	778,950	545,000
Estimated Liability Claims - Workers' Comp.	833	2,796	10,019	10,019
Voluntary Cash Donations for Distribution	-	-	2,898	1,362
<b>Total Current Liabilities</b>	<b>\$ 607,518</b>	<b>\$ 1,421,782</b>	<b>\$ 1,947,974</b>	<b>\$ 1,222,261</b>
<b>Current Liabilities - Restricted</b>				
Long-term contracts payable	\$ -	\$ -	\$ 10,790,000	\$ -
Current Portion of Contract Payable	1,082,515	1,028,129	-	-
Revenue Bonds Payable - Current	105,300	428,820	408,960	495,000
Accrued Revenue Bond Interest	333,329	423,002	91,490	17,857
Deposits	1,000,104	991,174	879,249	1,017,133
Deferred Revenues	-	-	-	7,251,500
<b>Total Current Liabilities - Restricted</b>	<b>\$ 2,521,248</b>	<b>\$ 2,871,125</b>	<b>\$ 12,169,699</b>	<b>\$ 8,781,490</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable	\$ 154,654	\$ 292,136	\$ 240,366	\$ 259,997
Revenue Bonds	2,878,740	2,983,286	3,411,352	3,711,408
Long-term Contracts Payable	44,388,474	45,470,981	35,480,668	44,115,000
Estimated Liability Claims-Workers' Comp.	52,852	69,505	153,645	154,467
<b>Total Noncurrent Liabilities</b>	<b>47,474,720</b>	<b>48,815,908</b>	<b>39,286,031</b>	<b>48,240,872</b>
<b>Total Liabilities</b>	<b>\$ 50,603,486</b>	<b>\$ 53,108,815</b>	<b>\$ 53,403,704</b>	<b>58,244,623</b>
<b>Fund Equity</b>				
Contributed Capital	11,237,717	10,283,738	10,491,728	10,640,093
Retained Earnings:				
Retained Earnings	12,564,377	13,337,304	-	-
Reserved for Revenue Bond Indentures	-	-	504,024	488,007
Unreserved - Designated for Improvements	-	-	1,564,097	2,325,165
Unreserved - Undesignated	-	-	11,714,159	9,630,853
<b>Retained Earnings</b>	<b>12,564,377</b>	<b>13,337,304</b>	<b>13,782,280</b>	<b>12,444,025</b>
<b>Total Fund Equity</b>	<b>23,802,094</b>	<b>23,621,042</b>	<b>24,274,008</b>	<b>23,084,118</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 74,405,580</b>	<b>\$ 76,729,857</b>	<b>\$ 77,677,712</b>	<b>\$ 81,328,741</b>

(1) This table is no longer updated due to the implementation of GASB 34.

**SEWER SYSTEM STATEMENT OF NET ASSETS**

	Fiscal Year Ended September 30,				
Assets	2012 <sup>(1)</sup>	2011	2010	2009	2008
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 2,745,618	\$ 2,539,499	\$ 3,068,747	\$ 4,692,669	\$ 2,554,036
Accounts Receivable, Net of Allowance for Doubtful Accounts	3,088,501	3,323,333	3,216,320	3,197,645	3,504,850
Due from Other Funds	1,043,410	1,057,907	1,487,794	1,057,907	-
Inventories	42,544	12,267	12,912	27,155	45,338
Prepaid Expenses	5,861	16,907	15,655	15,177	4,667
<b>Restricted Assets:</b>					
Cash and Investments	20,260,789	19,148,196	17,807,930	16,924,401	19,017,106
<b>Total Current Assets</b>	<b>\$ 27,186,723</b>	<b>\$ 26,098,109</b>	<b>\$ 25,609,358</b>	<b>\$ 25,914,954</b>	<b>\$ 25,125,997</b>
<b>Noncurrent Assets:</b>					
Deferred Charges	836,915	447,900	472,017	496,136	532,980
Capital Assets Not Being Depreciated	24,126,805	10,039,019	4,983,734	5,661,621	11,571,462
Capital Assets (Net of Depreciation)	47,993,768	49,064,796	47,797,912	47,212,090	40,650,303
<b>Total Noncurrent Assets</b>	<b>\$ 72,957,488</b>	<b>\$ 59,551,715</b>	<b>\$ 53,253,663</b>	<b>\$ 53,369,847</b>	<b>\$ 52,754,745</b>
<b>Total Assets</b>	<b>\$ 100,144,211</b>	<b>\$ 85,649,824</b>	<b>\$ 78,863,021</b>	<b>\$ 79,284,801</b>	<b>\$ 77,880,742</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Accrued Expenses	341,004	137,915	600,185	639,540	1,132,828
Accrued Interest Payable	430,851	521,218	541,763	561,526	472,123
Due to Other Governments	300	300	-	-	4,524
Customer Deposits	1,162,894	1,141,375	1,119,368	1,113,081	1,147,035
Unearned Revenue	325	250	250	500	-
Compensated Absences	33,435	33,435	33,175	36,085	12,956
Capital Lease Obligation	-	-	-	-	-
Notes Payable	541,490	525,545	510,069	495,050	480,473
Bonds and Certificates of Obligation Payable	1,586,052	1,436,813	1,387,225	1,339,834	1,463,364
<b>Total Current Liabilities</b>	<b>\$ 4,096,351</b>	<b>\$ 3,796,851</b>	<b>\$ 4,192,035</b>	<b>\$ 4,185,616</b>	<b>\$ 4,713,303</b>
<b>Non-Current Liabilities:</b>					
Compensated Absences	382,993	405,007	370,743	347,665	345,989
Notes Payable	1,519,656	2,061,147	2,586,691	3,096,761	3,591,811
Bonds and Certificates of Obligation Payable	27,619,563	28,778,982	30,202,296	31,576,023	32,902,358
<b>Total Non-Current Liabilities</b>	<b>29,522,212</b>	<b>31,245,136</b>	<b>33,159,730</b>	<b>35,020,449</b>	<b>36,840,158</b>
<b>Total Liabilities</b>	<b>\$ 33,618,563</b>	<b>\$ 35,041,987</b>	<b>\$ 37,351,765</b>	<b>\$ 39,206,065</b>	<b>\$ 41,553,461</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	5,575,574	40,491,468	30,407,557	27,489,744	26,522,096
Restricted for Debt Service	4,673,129	4,194,170	4,188,123	4,182,305	4,354,704
Unrestricted	56,276,945	5,922,199	6,915,576	8,406,687	5,450,481
<b>Total Net Assets</b>	<b>\$ 66,525,648</b>	<b>\$ 50,607,837</b>	<b>\$ 41,511,256</b>	<b>\$ 40,078,736</b>	<b>\$ 36,327,281</b>

(1) Unaudited.

**SEWER SYSTEM BALANCE SHEET<sup>(1)</sup>**

	Fiscal Year Ended September 30,			
	2003	2002	2001	2000
<u>Current Assets</u>				
Equity in Pooled Cash and Investments	\$ 10,456,529	\$ 9,121,720	\$ 3,532,127	\$ 4,893,325
Receivables:				
Interest	4,549	12,131	33,458	34,165
Utility Accounts	1,360,623	1,196,698	-	1,399,826
Accounts	-	-	1,444,595	113,956
Prepaid Items	3,750	4,115	-	-
Due from other funds	-	-	3,545,420	-
Total Current Assets	\$ 11,825,451	\$ 10,334,664	\$ 8,555,600	\$ 6,441,272
<u>Restricted Assets</u>				
Equity in Pooled Cash and Investments:				
Cash and temporary investments	\$ 8,195,855	\$ 2,316,889	\$ 6,191,027	\$ -
Customer Deposits	-	-	-	821,736
Revenue Bond Construction Account	-	-	-	6,861,693
Revenue Bond Current Debt Service Account	-	-	-	1,151,640
Revenue Bond Future Debt Service Account	-	-	-	1,203,273
Interest receivable	-	-	80,436	24,080
Total Restricted Assets	\$ 8,195,855	\$ 2,316,889	\$ 6,271,463	\$ 10,062,422
Deferred Charges	\$ 209,086	\$ 130,074	\$ 167,839	\$ 202,782
Interfund note receivable	-	-	-	1,230,260
<u>Fixed Assets</u>				
Land	\$ 168,011	\$ 168,011	\$ 157,091	\$ 116,898
Buildings	16,015,238	16,088,778	16,020,721	15,987,358
Improvements Other Than Buildings	30,792,219	28,348,511	24,426,931	23,952,053
Equipment	3,064,367	3,122,867	2,855,546	2,371,343
Construction in Progress	5,251,580	3,151,140	3,936,520	264,523
Total Fixed Assets	55,291,415	50,879,307	47,396,809	42,692,175
Less Accumulated Depreciation	18,233,397	17,146,966	15,939,666	14,947,217
Net Fixed Assets	37,058,018	33,732,341	31,457,143	27,744,958
<b>TOTAL ASSETS</b>	<b>\$ 57,288,410</b>	<b>\$ 46,513,968</b>	<b>\$ 46,452,045</b>	<b>\$ 45,681,694</b>

	Fiscal Year Ended September 30,			
	2003	2002	2001	2000
<b>Current Liabilities</b>				
Salaries Payable	\$ 70,424	\$ 55,446	\$ 168,055	\$ 26,984
Accounts Payable	183,729	330,511	787,152	55,510
Compensated Absences Payable	5,101	37,115	-	38,047
Accrued Pension and Fringe Benefits Payable	-	-	-	3,373
Contracts Payable	22,830	-	-	32,506
Interfund Payable	-	-	-	-
Estimated Liability Claims - Workers' Comp.	17,694	12,136	3,386	3,386
<b>Total Current Liabilities</b>	<b>\$ 299,778</b>	<b>\$ 435,208</b>	<b>\$ 958,593</b>	<b>\$ 159,806</b>
<b>Current Liabilities - Restricted</b>				
Revenue Bonds Payable - Current	\$ 1,517,662	\$ 1,082,917	\$ 1,039,072	\$ 943,989
Accrued Revenue Bond Interest	365,643	247,049	266,374	361,374
Deposits	1,007,355	986,923	870,229	821,736
<b>Total Current Liabilities - Restricted</b>	<b>\$ 2,890,660</b>	<b>\$ 2,316,889</b>	<b>\$ 2,175,675</b>	<b>\$ 2,127,099</b>
<b>Noncurrent Liabilities</b>				
Revenue Bonds	\$ 17,592,384	\$ 8,092,184	\$ 9,173,316	\$ 10,183,702
Compensated Absences Payable	331,518	184,020	199,778	189,999
Estimated Liability Claims-Workers' Comp.	52,852	68,320	83,203	52,202
<b>Total Noncurrent Liabilities</b>	<b>\$ 17,976,754</b>	<b>\$ 8,344,524</b>	<b>\$ 9,456,297</b>	<b>\$ 10,425,903</b>
<b>Total Liabilities</b>	<b>\$ 21,167,192</b>	<b>\$ 11,096,621</b>	<b>\$ 12,590,565</b>	<b>\$ 12,712,808</b>
<b>Fund Equity</b>				
Contributed Capital	13,486,520	11,498,693	11,388,437	11,671,809
Retained Earnings:				
Retained Earnings	\$ 22,634,698	\$ 23,918,654	\$ 22,473,043	\$ -
Reserved for Revenue Bond Indentures	-	-	-	1,049,550
Unreserved - Designated for Improvements	-	-	-	2,922,366
Unreserved - Undesignated	-	-	-	17,325,161
<b>Retained Earnings</b>	<b>22,634,698</b>	<b>23,918,654</b>	<b>22,473,043</b>	<b>21,297,077</b>
<b>Total Fund Equity</b>	<b>36,121,218</b>	<b>35,417,347</b>	<b>33,861,480</b>	<b>32,968,886</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 57,288,410</b>	<b>\$ 46,513,968</b>	<b>\$ 46,452,045</b>	<b>\$ 45,681,694</b>

(1) This table is no longer updated due to the implementation of GASB 34.

**WATERWORKS SYSTEM COMPARATIVE STATEMENT OF REVENUES AND EXPENSES; CUSTOMER COUNT**

	Fiscal Year Ended September 30,				
Revenues:	2012 <sup>(1)</sup>	2011	2010	2009	2008
Charges for Sales & Services	\$ 16,854,511	\$ 16,138,095	\$ 15,008,680	\$ 14,192,001	\$ 14,704,493
Interest and Investment Revenue	54,810	98,581	114,528	670,344	1,256,077
Insurance Proceeds	-	-	114,688	353,565	-
<b>Total Revenues</b>	<b>\$ 16,909,321</b>	<b>\$ 16,236,676</b>	<b>\$ 15,237,896</b>	<b>\$ 15,215,910</b>	<b>\$ 15,960,570</b>
<b>Operating Expenses:</b>					
Personnel Services	\$ 1,561,695	\$ 1,500,300	\$ 1,486,037	\$ 1,299,197	\$ 1,335,619
Contractual Services	943,402	869,601	804,933	608,585	589,092
Supplies and Materials	941,207	915,607	794,411	817,946	1,032,326
Surface Water Contract	4,485,455	5,956,653	5,206,455	5,429,512	5,480,170
Other Expenses	407,327	479,742	356,862	332,060	301,677
Administrative Charge	616,015	603,940	592,098	580,482	560,850
Non-Operating Interest Expense	1,180,341	1,231,682	1,280,995	827,856	981,688
Payment in Lieu of Taxes	200,000	200,000	200,000	200,000	200,000
	<b>\$ 10,335,442</b>	<b>\$ 11,757,525</b>	<b>\$ 10,721,791</b>	<b>\$ 10,095,638</b>	<b>\$ 10,481,422</b>
<b>Net Revenue From Operations</b>	<b>\$ 6,573,879</b>	<b>\$ 4,479,151</b>	<b>\$ 4,516,105</b>	<b>\$ 5,120,272</b>	<b>\$ 5,479,148</b>
System Customers	21,323	21,910	25,083	20,559	25,409

(1) Unaudited.

**SEWER SYSTEM COMPARATIVE STATEMENT OF AUDITED OPERATIONS**

	Fiscal Year Ended September 30,				
Revenues:	2012 <sup>(1)</sup>	2011	2010	2009	2008
Operating Revenues	\$ 12,398,304	\$ 12,108,105	\$ 11,539,742	\$ 11,088,199	\$ 12,465,398
Interest and Investment Revenue	60,837	43,431	41,098	158,026	416,704
Insurance Proceeds	-	77,469	-	1,097,907	-
<b>Total Revenues</b>	<b>\$ 12,459,141</b>	<b>\$ 12,229,005</b>	<b>\$ 11,580,840</b>	<b>\$ 12,344,132</b>	<b>\$ 12,882,102</b>
<b>Expenses:</b>					
Personnel Services	\$ 3,348,494	\$ 3,296,845	\$ 3,111,419	\$ 2,450,648	\$ 2,767,879
Contractual Services	1,669,232	1,650,527	1,807,488	1,655,498	1,613,988
Supplies and Materials	1,439,344	1,263,803	1,197,001	915,390	1,486,205
Other Expenses	484,759	591,638	434,407	415,377	394,835
Administrative Charge	375,976	368,600	361,373	354,283	342,308
Non-Operating Interest Expense	1,292,827	1,431,512	1,993,006	1,572,630	1,372,323
Payment in Lieu of Taxes	200,000	200,000	200,000	200,000	200,000
<b>Total Expenses</b>	<b>\$ 8,810,632</b>	<b>\$ 8,802,925</b>	<b>\$ 9,104,694</b>	<b>\$ 7,563,826</b>	<b>\$ 8,177,538</b>
<b>Net Revenue From Operations</b>	<b>\$ 3,648,509</b>	<b>\$ 3,426,080</b>	<b>\$ 2,476,146</b>	<b>\$ 4,780,306</b>	<b>\$ 4,704,564</b>

(1) Unaudited.

**CONDENSED STATEMENT OF OPERATIONS OF THE COMBINED WATERWORKS  
AND SEWER SYSTEM, AND COMBINED COVERAGE TABLE**

	Budgeted Fiscal Year Ending 9/30/13	Actual Fiscal Year Ending 9/30/12
<u>Revenues:</u>		
Sales and Services	\$ 29,957,226	\$ 29,252,815
Insurance Proceeds	-	-
Interest Earned	43,000	115,647
Total Revenues	\$ 30,000,226	\$ 29,368,462
 <u>Operating Expenses:</u>		
Combined Operating Expenses	\$ 17,349,388	\$ 17,754,083
Administrative Service Charge	1,011,832	991,991
Payment in Lieu of Taxes	400,000	400,000
Total Expenses	\$ 18,761,220	\$ 19,146,074
 Net Revenue From Operations	 \$ 11,239,006	 \$ 10,222,388
 2013 Principal and Interest Requirements..... \$ 3,621,900		
Coverage of 2013 Principal and Interest Requirements Net Income.....	3.10X	2.82X
 Average Annual Principal and Interest Requirements (2013-2030).... \$ 2,875,570		
Coverage of Average Principal and Interest Requirements Net Income.....	3.91X	3.55X

**MONTHLY RATES (EFFECTIVE OCTOBER 1, 2012)**

**Water Rate  
Inside City Limits**

Inside City Quantity	Rates
First 200 Cubic Feet	\$11.74 Minimum
Next 3,800 Cubic Feet	3.07/100 CF
Next 46,000 Cubic Feet	3.27/100 CF
Next 950,000 Cubic Feet	3.32/100 CF
All over 1,000,000 Cubic Feet	3.99/100 CF



**Water Rate  
Outside City Limits**

Outside City Quantity	Rates
First 200 Cubic Feet	\$23.47 Minimum
Next 3,800 Cubic Feet	6.13/100 CF
Next 46,000 Cubic Feet	6.53/100 CF
Next 950,000 Cubic Feet	6.67/100 F
All over 1,000,000 Cubic Feet	7.28/100 CF

**Sewer Rate**

Quantity	Rates
First 500 Cubic Feet	\$17.82 Minimum
Over 500 Cubic Feet	3.58/100 CF

**TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)**

Customer	Type of Business	Estimated Fiscal Year 2012 Water Usage In Gallons	Estimated % of Total Water Usage
UTMB	Commercial Hospital	448,552,246	7.76%
Village of Jamaica Beach	Commercial/Subdivisions/Businesses	79,016,109	1.37%
Port of Galveston	Commercial Port/Cruise Ship	78,870,267	1.36%
Moody Gardens/Hope Charities	Commercial Entertainment/Hotel	76,157,281	1.32%
San Luis Hotel & Condominiums	Commercial Entertainment/Hotel	55,581,713	0.96%
Texas A&M - Galveston	Commercial/School District	38,008,463	0.66%
Gulf Sulphur Services LTD., LLP	Commercial	36,040,372	0.62%
County of Galveston	Local Government	32,155,157	0.56%
Galveston ISD	Commercial/School District	23,951,903	0.41%
Landry's Restaurant	Commercial	23,248,565	0.40%
		891,582,076	15.43%

Source: The City

**TEN LARGEST WASTEWATER CUSTOMERS**

<u>Customer</u>	<u>Type of Business</u>	<u>Estimated Fiscal Year 2012 Wastewater Usage Measured by Revenues</u>	<u>Estimated % of Total Water Usage</u>
UTMB	Commercial Hospital	\$ 1,968,007	16.72%
Moody Gardens/Hope Charities	Commercial Entertainment/Hotel	345,172	2.93%
San Luis Hotel & Condominiums	Commercial Entertainment/Hotel	212,396	1.80%
Sandpiper Cove Apartments	Commercial/Residential Rentals	89,040	0.76%
Lakeside at Campeche Apartments	Commercial/Residential Rentals	85,969	0.73%
Silver Leaf Condominiums	Commercial	81,129	0.69%
Landry's Restaurants	Commercial	77,949	0.66%
American National Insurance	Commercial	76,670	0.65%
Galveston Housing Authority	Local Government	71,236	0.61%
County of Galveston	Local Government	70,516	0.60%
		<u>\$ 3,078,084</u>	<u>26.15%</u>

Source: The City