



Comprehensive Annual
Financial Report FY 2015



CITY OF GALVESTON, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2015**

Prepared by:

Finance Department

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INTRODUCTORY SECTION

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City of Galveston



P. O. Box 779 / Galveston, Texas 77553

Comprehensive Annual Financial Report for Fiscal Year Ending September 30, 2015 Letter of Transmittal

March 25, 2016

To the Honorable Mayor,
Members of the City Council and
Citizens of the City of Galveston, Texas:

State law requires that all general purpose local governments publish within 180 days of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Galveston, Texas (the City) for the fiscal year ended September 30, 2015.

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

The City's financial statements have been audited by Whitley Penn, LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2015 are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements,

with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the City's separately issued Single Audit Report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Galveston is a home rule, full service city incorporated in 1839. Galveston has a council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, who is elected at large, and six council members elected to represent individual districts. The governing council is responsible, among other things, for passing ordinances, adopting the budget, determining policies, appointing committees, and hiring the city manager, attorney, secretary, internal auditor, and municipal judge. The city manager is responsible for developing and proposing the annual city budget for consideration by city council, for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Elections are held every two years. Council members, including the Mayor, are limited to serving three terms.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, water services, sewer services, refuse collection, drainage services, parks and recreational activities, and general administration. Additional services include building inspection, planning, zoning, engineering, and an airport.

Component units of the City, and the services they provide, include:

- The Park Board which provides improvements and maintenance to City waterfront parks and beaches;
- The Galveston Redevelopment Authority, which manages funds from four tax reinvestment zones and three public improvement districts for development and improvement projects within specific geographic areas of the City;
- The Galveston Housing Finance Corporation which provides home mortgages and loans to lending institutions for the purpose of making home mortgages.;
- The City of Galveston Property Finance Authority, Inc. which was created by State Statute for the purpose of acquiring, owning, holding, leasing, and selling real or personal property to or for the benefit of the City for the furtherance of its public purposes;
- The Board of Trustees of the Galveston Wharves which manages, controls, and maintains the port of Galveston;
- The Industrial Development Corporation which provides funding for public works, beach re-nourishment, parks and economic development projects; and
- The City of Galveston Employees' Retirement Plan for City employees, the Galveston Firefighters' Pension Fund, and the City of Galveston Employees' Retirement Plan for Police.

The annual budget serves as the foundation for the City's financial planning and control. For FY 2015 and prior years, all departments of the City were required to submit requests for appropriation to the City's

manager around the middle of June each year. The city manager uses these requests as the starting point for developing a proposed budget. Beginning in FY 2016, the budget process for General Fund departments starts with a five year forecast of revenue and expenditures presented in May. The forecast frames issues for consideration by City Council that are discussed in budget work sessions held during June and July. Using Council directed priorities and departmental spending targets derived from the forecast, the city manager develops a proposed budget and presents this proposed budget to the council for review the first week of August.

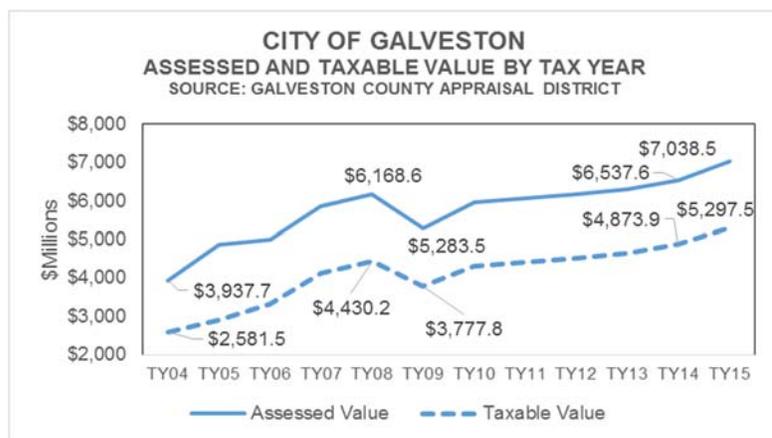
The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than seven calendar days before September 30, the close of the City’s fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The city manager may make transfers of appropriations within a department without prior approval by city council. Transfers of appropriations between departments, however, require the prior approval of the city council. At the close of each fiscal year, any unencumbered balance of an appropriation reverts to the fund from which it was originally appropriated and may be re-appropriated by the Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 89 of the Basic Financial Statements. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection for each governmental fund for which a budget has been adopted.

Economic Climate

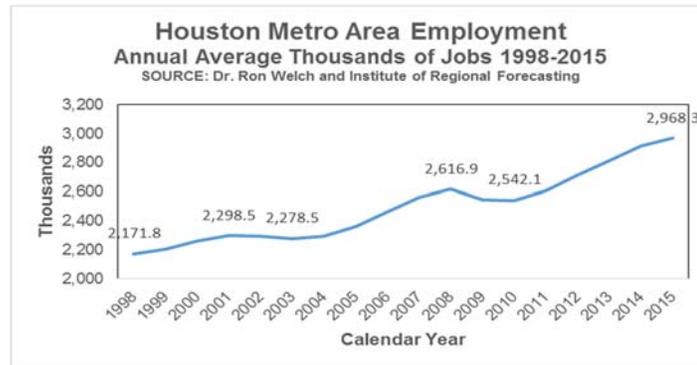
Galveston Island Economic Climate Overview:

Galveston’s economy is healthy and growing because of its location and climate. Galveston is located on the Gulf of Mexico at the mouth of Galveston Bay. The Gulf Coast of Texas experiences mild winters and temperate summers making the City a tourist destination. Furthermore, it is part of the nation’s most vibrant state economy and one of the top metropolitan economies which provides Galveston economic vibrancy that goes beyond the City’s borders.

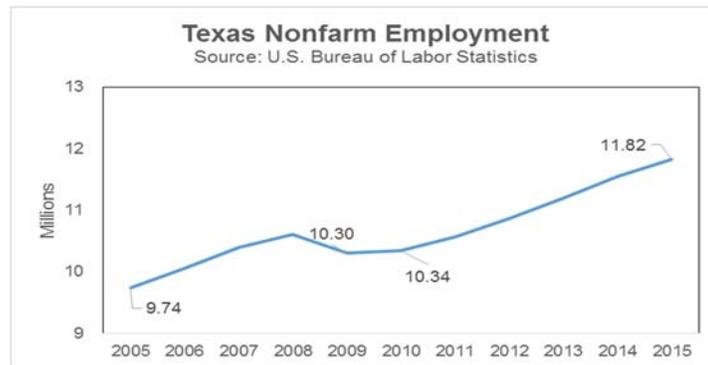


In the five years immediately prior to Hurricane Ike which made landfall on September 13, 2008, the City’s economy expanded with total assessed value of all properties growing from \$3.9 billion in 2004 to \$6.2 billion in 2008, a 57% percent increase. After a one year adjustment due to the impact of Ike that dropped assessed values to \$5.3 billion, the city’s recovery efforts took over, bringing assessed values to \$7 billion in 2015 (Source: Galveston County Appraisal District), a 33 percent increase.

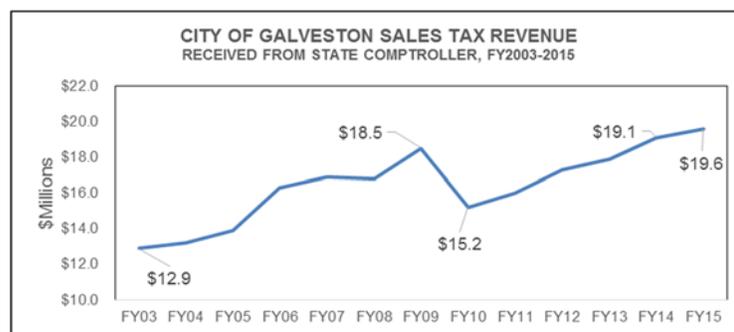
In the same period, 2003-2015, the Houston metropolitan area economy showed similar dramatic growth, with the strongest recovery from the Great Recession of any metropolitan area in the U.S. Total employment went from 2.3 million in 2003 to 2.6 million in 2008 before the Great Recession. Then after dropping back to 2.5 million jobs in 2010, the area rebounded strongly to 3 million jobs for 2015.



Since the Great Recession of 2008-2009, Texas' nonfarm employment has grown by 1.51 million jobs. A healthy and growing metropolitan and state economy leads to a healthy local economy and increasing revenues for the City of Galveston.



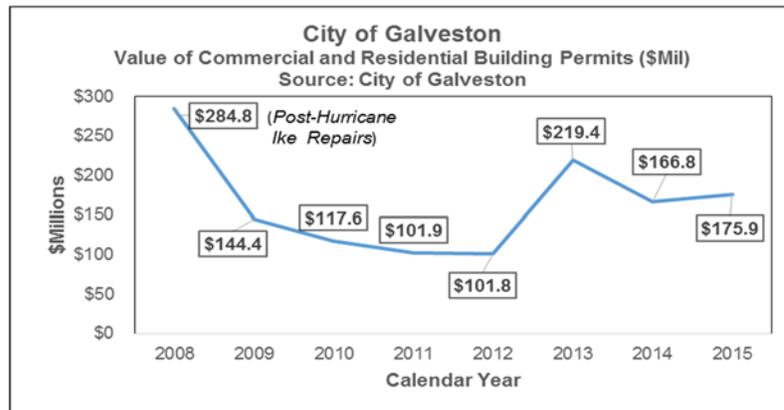
Galveston is the top recreation center for the region as evidenced by its sales tax revenue performance since FY 2003. Receipts reported by the State Comptroller's office and paid to the City grew from \$12.9 million in FY2003 to \$18.5 million in FY2008. As the combined result of Hurricane Ike and the Great Recession, sales tax revenue dropped to \$15.2 million in FY2010, but then rebounded strongly to \$19.1 million in FY2014. Based on seasonal variations in receipts for the warm months or tourist season, April through September, this strong rebound is attributed largely to the City's vibrant tourism sector.



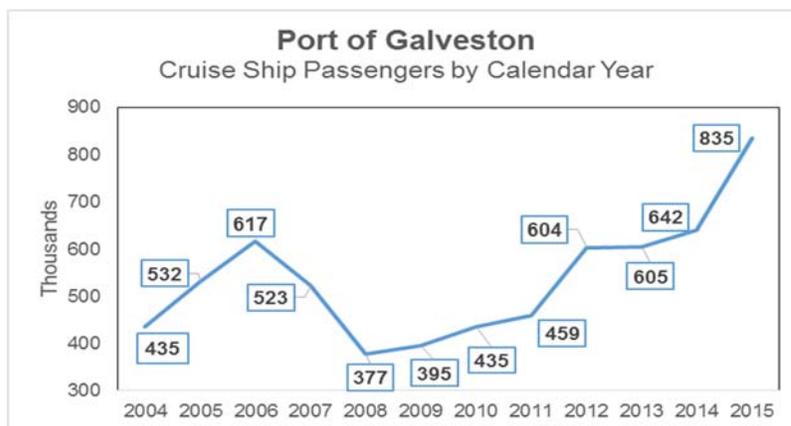
Galveston continues to have a lower cost of living than the national average in spite of its growing economy. According to the U.S. Department of Labor Statistics, the Consumer Price Index-Urban (CPI-U) for the U.S.

as a whole was 236.5 in December 2015. The CPI-U For the metropolitan area including Galveston was 212.9 for December 2015. By this measure, Galveston’s cost of living is almost 10 percent less than the nation as a whole.

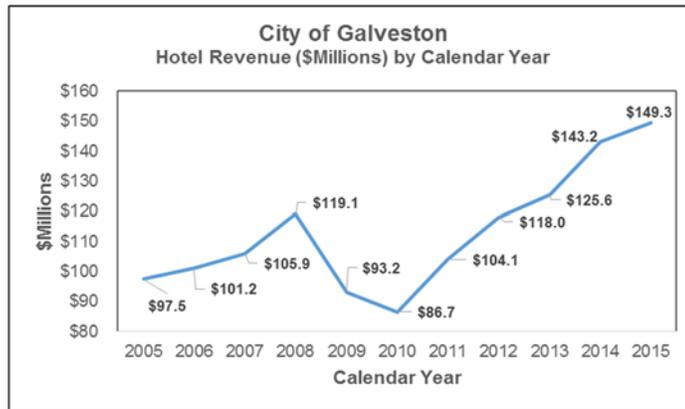
Construction activity in Galveston is continuing at a steady pace after the value of building permits in the immediate aftermath of Hurricane Ike peaked in 2008 at \$298.2 million. The last three calendar years including 2013 (\$227.1 million), 2014 (\$173.3 million) and 2015 (\$175.9 million) witnessed strong performance in the value of building permits issued for commercial and residential construction projects.



The Port of Galveston is an important contributor to both the Galveston and Texas economies. In calendar year 2013, the Port of Galveston ranked 49th of all U.S. ports in total cargo volume, 38th in domestic cargo volume, and 33rd in export cargo volume. Total cargo tonnage through the Port of Galveston increased 13.4 percent in 2015 over 2014 while cruise ship passengers through the Port reached an all-time high in 2015. After cruise ship traffic was interrupted by Hurricane Ike in 2008 and cruise passengers dipped to 377,000, the Port of Galveston saw 835,000 cruise passengers in 2015, a 121 percent improvement over 2008.



The City is a popular destination for tourists, including its ample beaches and other attractions. The City’s downtown area features The Strand which is the home of some of Galveston’s most historic commercial buildings, and the centerpiece for the City’s active year-round calendar of community and seasonal events. Nearby is the East End Historical District which is on the National Historic Register and the site of many of the City’s historic structures. Galveston was named the second favorite place to visit on USA Today’s 2014 top ten list of spring break destinations. Like other local and regional indicators, Galveston hotel occupancy and revenue was set back by Hurricane Ike (see below) but has come back to beat previous highs for hotel revenue in the last two calendar years.



Long-term financial planning

In FY 2016, the city initiated a new budget and financial planning process that includes a five year operating budget forecast, a five year Capital Improvement Plan, the Annual Budget, as well as quarterly Budget Status Reports that provide yearend projections of revenue and expenses for all budgeted funds. A renewed emphasis is being placed on trend analysis that considers periods of more than five years as shown in the previous section. The long-term financial planning efforts will continue to be used to support decision makers in formulating a fiscally responsible annual budget. All of these financial documents can be found on the City’s web page.

Relevant financial policies

The City Council has established a 90-day target balance for General Fund unrestricted cash and cash equivalents. The General Fund ended the year with an unassigned operating balance of \$15 million, representing approximately 126 days of maintenance and operation. In 2015, the City secured the renewal and expansion of its emergency bridge loan from \$20 million to \$50 million in the event of a major catastrophic emergency. The loan will be available to support federally eligible costs associated with any large emergency including a tropical storm or hurricane.

The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investments. With a positive economic outlook, conservative budgeting and substantial reserves for debt service, Fitch maintained the City’s rating of “AA-” on its recent general obligation bond refunding. Fitch also raised the Rating Outlook to Positive from Stable in recognition of “the city’s history of consistent operating performance, healthy reserves, and more recent enhancements to its planning and forecasting practices.”

Major initiatives

A renewed emphasis on infrastructure improvements will drive resource allocation and staff efforts over the next three to five years. In FY 2016, the City is winding down its Hurricane Ike recovery projects, making major infrastructure improvements with CDBG and Ike disaster funding including a new wastewater treatment plant, major new street projects, water system improvements and facilities expansions and improvements. The major area of emphasis is improving the City’s infrastructure including major thoroughfares and neighborhood streets and related infrastructure. Protection of neighborhoods through stricter codes and clearer rules is also a high priority with major revisions underway to the City’s land development rules and zoning requirements. A citywide study of compensation was completed in 2015 utilizing comparisons of salaries and benefits with comparable cities and the private sector. In 2016, efforts continue to develop accurate and comprehensive job descriptions. A renewed emphasis is being placed on more complete utilization of the City’s existing financial system in order to improve operational efficiency, management reporting and internal controls.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended September 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report is a joint effort of various departments and offices of the City. The City's Finance Department coordinates the compilation and prepares the final report along with the City's independent auditor, WhitleyPenn. The successful and timely preparation of this report depends on the cooperation of all these groups and upon the diligence and dedication of the entire staff of the Finance Department. We would like to express our appreciation to all the City's Finance Department staff who assisted and contributed to the preparation of this report. Other City departments and offices make a significant contribution to the preparation of this report as well. We acknowledge their efforts in providing information and assistance during the preparation of this report. Finally, we acknowledge the Mayor and Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

Respectfully submitted,



Brian Maxwell
City Manager



Michael W. Loftin
Director of Finance

CITY OF GALVESTON, TEXAS
PRINCIPAL OFFICIALS



Mayor
Jim Yarbrough

District 1



Tarris Woods

District 2



Craig Brown

District 3



Ralph McMorris

District 4



Norman Pappous

District 5



Terrilyn Tarlton - Mayor Pro Tem

District 6



Carolyn Sunseri

City of Galveston, Texas

Incorporated March 1939
Charter Adopted April 19, 1960

Council – Manager Form of Government

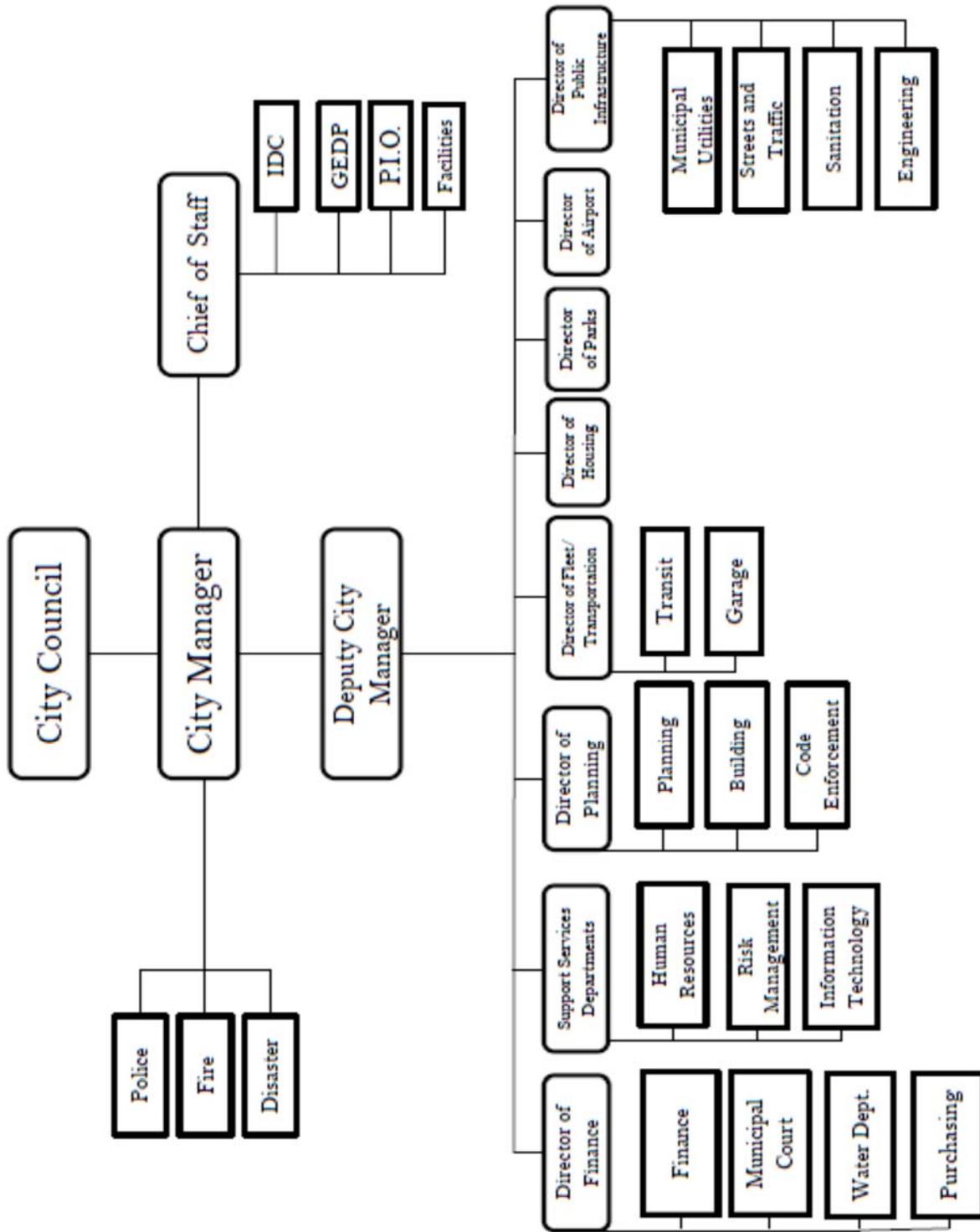
City Council Appointees

City Manager	Brian Maxwell
City Secretary	Janelle Williams
City Attorney (Interim)	Donald Glywasky
Court Judge	Jim Schweitzer
City Auditor	Glenn Bulgherini

Departmental Directors (City Manager Appointees)

Deputy City Manager	Dan Buckley
Airport	Mike Shahan
Emergency Management	Charlie Kelly
Finance	Michael W. Loftin
Fire	Mike Wisko
Grants	Sterling W. Patrick
Island Transit	Michael Worthy
Municipal Court	Gladys Lopez
Municipal Garage	David A. Smith
Municipal Utilities	Angelo Grasso
Parks and Recreation	Barbara E. Sanderson
Planning and Housing	Richard Vasquez
Police	David Smith (Interim)
Public Information Officer	Kala McCain
Public Infrastructure	Ross Blackketter
Public Works	Kyle Hockersmith
Sanitation	Cindy DeWitt
Technology	Ryan Young

CITY OF GALVESTON
EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2015





Government Finance Officers Association

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

Presented to

**City of Galveston
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members
of the City Council
City of Galveston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galveston, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Board of Trustees of the City of Galveston (the "Park Board"), which represent 63 percent, 22 percent, and 53 percent, respectively, of the assets, liabilities, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable Mayor and Members
of the City Council
City of Galveston, Texas

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ending September 30, 2015.

Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, required pension system supplementary information on pages 74 through 76 and other post-employment benefits supplementary information on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Galveston, Texas basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members
of the City Council
City of Galveston, Texas

Other Matters (continued)

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, on our consideration of the City of Galveston, Texas internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Galveston, Texas internal controls over financial reporting and compliance.


Houston, Texas
March 25, 2016

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Galveston offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its deferred inflows of resources and liabilities at the close of the most recent fiscal year by \$369.5 million (*net position*). Of this amount, \$39.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. An additional \$12.4 million is held in reserve to meet obligations to bondholders.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$77 million, an increase of \$8 million over the prior year. Approximately 77 percent of this total amount, \$15 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's long-term liabilities increased by a net amount of \$39.8 million, including the recording of \$54.4 million in net pension liabilities and a net reduction on other long-term liabilities including debt of \$14.6 million.
- In fiscal year 2015, the City implemented new accounting pronouncements that recognize the City's Net Pension Liability of \$54.4 million related to the defined benefit pension plans provided for all full time employees. See Note 14 for an in-depth discussion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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 City include general government, administrative services,

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements (continued)

public safety, public works, parks and recreation and community development. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's eight discretely presented component units consist of the following:

Park Board of Trustees	Bayside at Waterman's – Public Improvement District
Galveston Island Redevelopment Authority	Board of Trustees of Galveston Wharves
Campeche Shores – Public Improvement District No. 1	Galveston Housing Finance Corporation
Beachside Village – Public Improvement District	Galveston Property Finance Authority

The government-wide financial statements can be found on pages 19 through 21 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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 a government's near-term financing 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 government'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 a reconciliation to facilitate this comparison *between governmental funds and governmental activities*.

The City maintains 30 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, Hurricane Ike, and CDBG Disaster Fund Non-Housing, all of which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report. Four funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 22 through 26 of this report.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements (continued)

Proprietary Funds - The City 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 City uses enterprise funds to account for its Waterworks system, Sewer System, Drainage and sanitation operations as well as the operations of the airport. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Central Garage, Central Service, Casualty & Liability insurance, Construction management, Workers compensation insurance, Health and life insurance and the Separation funds are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been 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 Waterworks system and Sewer system are considered to be major funds of the City. Conversely, all 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 elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

Combining Component Unit Financial Statements

The City's eight discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 72

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 74 through 77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$369.5 million at the close of the most recent fiscal year.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

By far the largest portion of the City's net position, 78% or \$288.8 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2015. Although the City'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.

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2015 and 2014

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 125,997	\$ 129,275	\$ 45,320	\$ 48,678	\$ 171,317	\$ 177,953
Capital assets	157,139	152,091	271,945	253,751	429,084	405,842
Total Assets	283,136	281,366	317,265	302,429	600,401	583,795
Total Deferred Outflows of Resources	3,730	390	671	-	4,401	390
Other liabilities	30,035	34,477	6,667	5,969	36,702	40,446
Long-term liabilities	72,629	80,801	68,940	75,258	141,569	156,059
Net pension liability*	49,891		4,529		54,420	-
Total Liabilities	152,555	115,278	80,136	81,227	232,691	196,505
Total Deferred Inflows of Resources	2,585	-	-	-	2,585	-
Net Position						
Net investment in capital assets	110,739	110,071	178,032	181,656	288,771	291,727
Restricted	23,286	26,170	18,097	21,326	41,383	47,496
Unrestricted	(2,299)	30,237	41,671	18,220	39,372	48,457
Total Net Position	\$ 131,726	\$ 166,478	\$ 237,800	\$ 221,202	\$ 369,526	\$ 387,680

*As noted above, during the fiscal year ended September 30, 2015, the City implemented GASB Statement No. 68 relating to the recognition of the net pension liability relating to City's employee retirement plans. Prior year liabilities have not been presented in this schedule.

An additional portion of the City's net position, 11.2% or \$41.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 10.7% or \$39.4 million, may be used to meet the government's ongoing obligations to citizens and creditors. This includes \$41.7 million in unrestricted business activity balances. Governmental unrestricted assets are actually a negative \$2.3 million as the result of recording \$49.9 million in beginning net pension liabilities attributable to governmental activities.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
For the Years Ended September 30, 2015 and 2014
Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 7,457	\$ 7,838	\$ 38,907	\$ 39,955	\$ 46,363	\$ 47,793
Operating grants and contributions	5,972	13,060	69	-	6,041	13,060
Capital grants and contributions	34,623	24,924	942	1,000	35,565	25,924
General revenues:						
Property taxes	23,272	22,920	-	-	23,272	22,920
Sales tax	20,588	19,978	-	-	20,588	19,978
Hotel occupancy taxes	7,068	6,092	-	-	7,068	6,092
Franchise taxes	5,245	5,267	-	-	5,245	5,267
Payments in lieu of taxes	207	165	-	-	207	165
Other	7,922	1,047	209	219	8,131	1,266
Total Revenues	112,353	101,291	40,127	41,174	152,481	142,465
Expenses						
General government	8,284	7,864	-	-	8,284	7,864
Public safety	32,840	29,542	-	-	32,840	29,542
Public works	6,570	6,504	-	-	6,570	6,504
Culture and recreation	12,240	11,300	-	-	12,240	11,300
Planning and community development	8,799	5,246	-	-	8,799	5,246
Transportation system	8,424	6,804	-	-	8,424	6,804
Interest on long-term debt	1,896	2,160	-	-	1,896	2,160
Waterworks system	-	-	17,416	15,402	17,416	15,402
Sewer system	-	-	12,444	11,505	12,444	11,505
Sanitation services	-	-	5,078	4,781	5,078	4,781
Drainage utility	-	-	2,537	2,356	2,537	2,356
Airport	-	-	1,709	1,579	1,709	1,579
Total Expenses	79,050	69,420	39,184	35,623	118,235	105,043
Increase (decrease) in net position before transfers	33,303	31,871	943	5,551	34,246	37,422
Transfers	(18,951)	(23,601)	18,951	23,601	-	-
Increase (decrease) in net position	14,352	8,270	19,894	29,152	34,246	37,422
Net position - beginning	166,478	158,208	221,202	192,050	387,680	350,258
Prior period adjustment	(49,104)	-	(3,296)	-	(52,400)	-
Net position - ending	\$ 131,726	\$ 166,478	\$ 237,800	\$ 221,202	\$ 369,526	\$ 387,680

The City's net position increased by \$34.2 million before applying a prior period adjustment of \$48.6 million related to the implementation of a new accounting standard. The adjustment for the accounting standard, which applies to pension liabilities, decreased the net position of governmental activities by \$45.3 million and business activities by \$3.3 million.

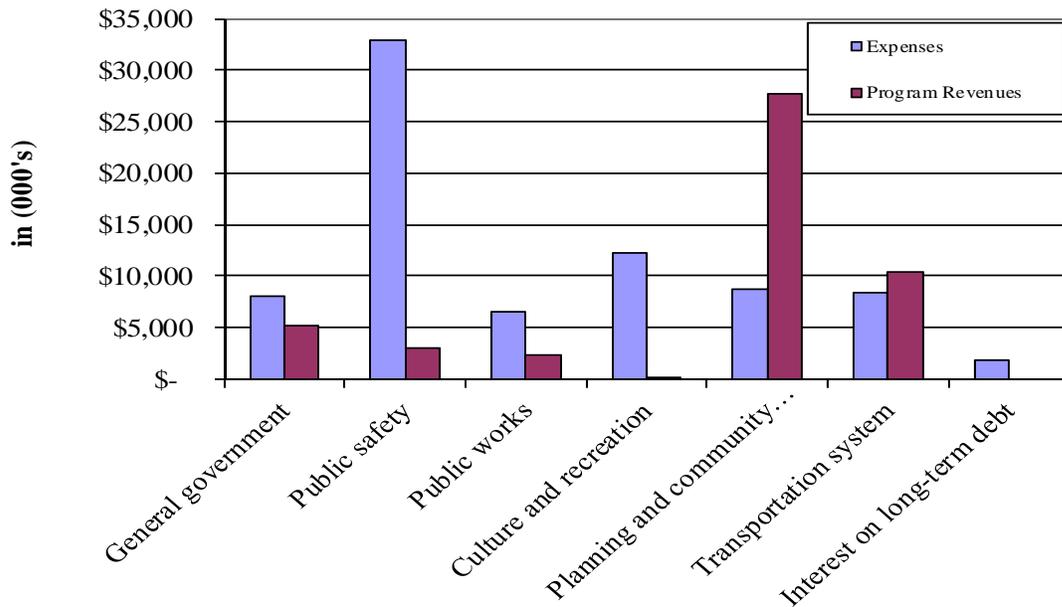
CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities increased the City's net position by \$14.5 million. Key elements of this increase are as follows:

- An increase in capital grants and contributions of \$10.4 million from \$25.9 million to \$36.3 million.
- Of the capital grants and contributions noted above, \$19.2 million is shown here as being transferred out of Governmental Activities and into Business-Type Activities where it was invested in capital assets.
- Virtually all of the \$36.3 million in capital grants and contributions shown in Governmental Activities revenue is being invested in the City's infrastructure, including a new sewer treatment plant (\$15.8 million) and two major street projects (\$6.95 million).
- Net position of Governmental Activities decreased \$34.6 million as the direct result of the \$45.3 million prior period adjustment for pension funds' liabilities. The latter total includes all of the fire and police pension funds' liabilities and a proportional share of the municipal employees' pension fund liability for governmental activities.

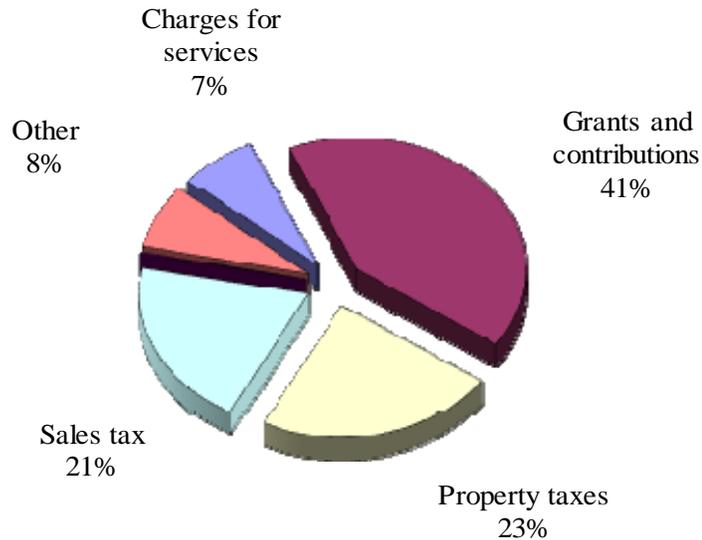
Expenses and Program Revenues - Governmental Activities



Governmental activities are largely funded from property, sales and other taxes. Public safety is the major public service funded with governmental revenues. Planning and Community Development program revenues as shown here include primarily federal grants awarded to the City for Hurricane Ike recovery. The majority of the program revenues for planning and community development was transferred to business activities for repairs and upgrades to the water and sewer systems.

Governmental Activities (continued)

Revenues by Source - Governmental Activities



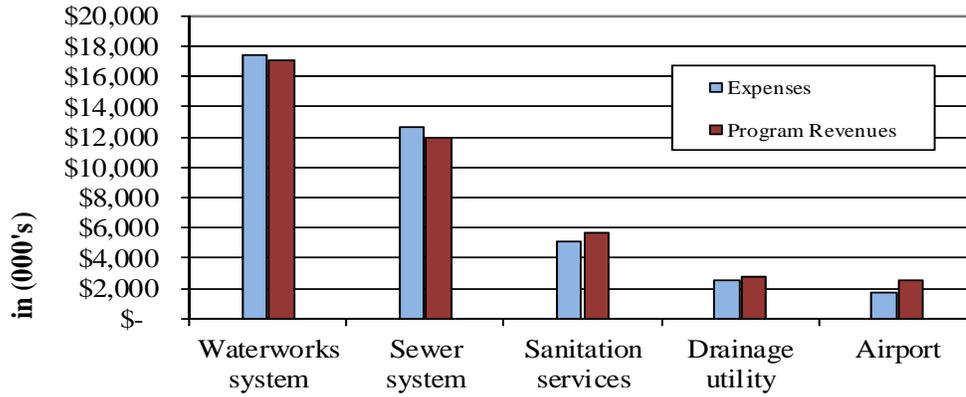
Business-type Activities

Business-type activities increased the City's net position by \$19.9 million. Key elements of this increase are as follows:

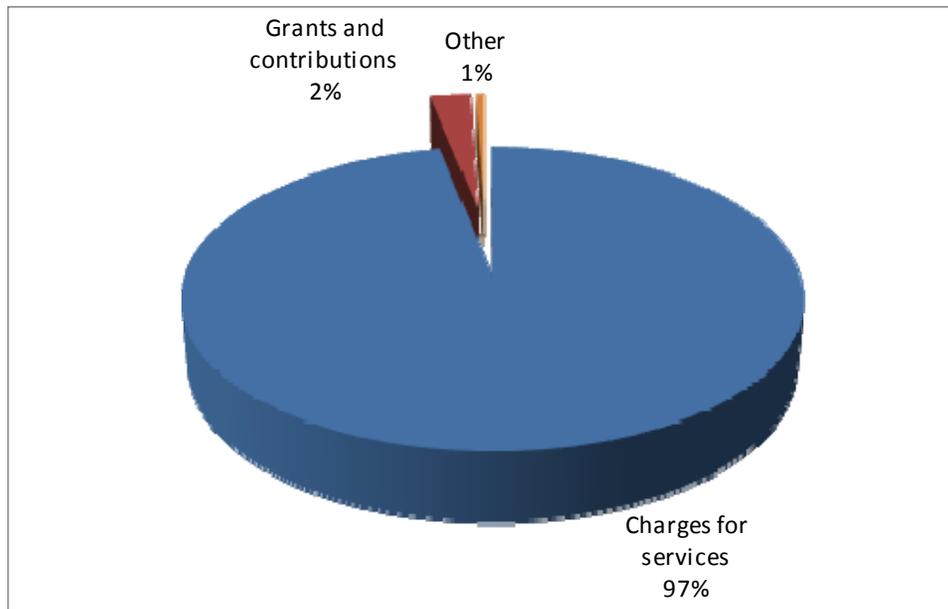
- FY 2015 Business-type activity charges for service are net of \$3.5 million for water and sewer rebates to system customers for overcharges dating from October 2012 through June 2015. Comparison of FY 2015 with 2014 must consider a similar adjustment made in FY 2014.
- FY 2014 charges for service were adjusted in last year's CAFR for Ike-related insurance proceeds having been booked showing an overage of \$2.2 million. Without these two adjustments, charges for service would have been virtually the same in FY 2015 (\$43.3 million) as in FY 2014 (\$43.4 million). Slight underlying growth in revenues approximating two percent was offset by excess rainfall and reduced water demand.
- Waterworks System costs increased approximately \$2 million including water purchases (\$700,000), claims (\$500,000), and capital project expenses (\$900,000).
- Sewer system costs increased \$1 million net for system operations and maintenance, including personnel, supplies and services.
- Net operating expenses increased by \$3.7 million total in all Business Activity funds combined.
- The primary reason for the \$19.9 million increase in net position for Business activity funds was the \$19.2 million transfer of grant funds for capital projects construction from the Governmental activity funds.

Business-type Activities (continued)

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the City's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$76.9 million, an increase of \$7.9 million from the prior year. Approximately \$14.7 million of the combined ending fund balances, million, is *available for spending* at the government's discretion (*unassigned fund balance*).

As the net effect of a change in financial reporting, General Fund balance is shown as decreasing by \$1.2 million. In FY 2015, operating revenue was \$1.29 million in excess of operating expenses.

Beginning with this CAFR, the Infrastructure and Debt Service Fund will no longer be reported as a part of the General Fund but as its own governmental fund. An adjustment is therefore being made to the General Fund reported beginning balance of \$2.52 million to establish the Infrastructure Fund balance under its own reporting entity.

This fund will be the recipient of increasingly higher set asides of General Fund revenue in accordance with a City Charter requirement. In FY 2015, three percent of General Fund revenue was transferred into this fund. By FY 2020, according to the City Charter, General Fund contributions to this fund will equal the maximum level of eight percent of revenues per year. Its separate reporting status is appropriate so as to better demonstrate compliance with the City Charter.

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

The Waterworks fund has unrestricted net position at fiscal year-end of \$4.1 million. Held in reserve is \$3.2 million for future revenue-supported debt service payments. This includes \$1.78 million for FY 2016 revenue supported debt service payments and \$1.42 million for average annual revenue supported debt service payments

Likewise, the Sewer fund has approximately \$4.4 million in unrestricted net position after reserving \$4.4 million for future revenue-supported debt service payments. This includes \$2.37 million for FY 2016 revenue supported debt service payments and \$2.07 million for average annual revenue supported debt service payments

Water and sewer rates were adjusted in October 2015 to promote conservation, provide new revenues to pay the higher cost of water as provided by the Gulf Coast Water Authority (GCWA), and to fund current and future water and sewer capital project costs on a pay as you go basis.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

The General Fund expenditures budget was amended three times in FY 2015 based upon quarterly reports that included year-end projections of revenue and expenditures. These amendments were approved by City Council in ordinance form as proposed and recommended by the City Manager. Each amendment was for municipal purposes as allowed by Section 102.010 of the Texas Local Government Code. The City Charter authorizes the City Manager to transfer budget amounts within a department's total budget as adopted or amended by City Council.

Total actual revenues of \$45.66 million exceeded budget by \$336,000. Property taxes (\$464,000), sales taxes (\$318,000) and license and permit revenue (\$394,000) exceeded budget by a total of \$1,176,000. This offset a total revenue budget underrun of \$932,900 for fines and forfeits (\$549,100), franchise and other taxes (\$80,000), charges for service (\$106,000) and other revenues (\$197,800). Actual General Fund revenue in total was \$336,000 over budget.

Budgeted expenditures included a \$3.9 million city council contingency, reported as a part of General Government. This contingency is budgeted by City Council and allocated through the amendment process throughout the fiscal year. The contingency is typically allocated based on the receipt of previously unbudgeted revenues. Also, the contingency may be reduced to offset adjustments to other budgeted funds (e.g. special and enterprise funds) that are necessary to ensure the total city budget stays within the seven percent increase over the prior year as prescribed by Article VII Section 19 of the city charter.

The General Government expenditure category was reduced by ordinance adjustments of approximately \$2.3 million for allocation of the city council contingency in FY 2015. Other expenditure budget changes were minor, reflecting transfers from one department to another as recommended by the City Manager and approved by City Council. The increase in the Transportation category reflected a budget adjustment to provide more funds for the Island Transit bus service in FY 2015. Total General Fund expenditures underran the budget by \$3.0 million.

Fund balance ended the fiscal year at \$18.66 million as the result of two factors. Revenue exceeded expenditures by \$1.29 million, including other financing sources. Further, the city charter requires an annual set aside of General Fund monies for infrastructure and debt service that previously was reported as a part of the General Fund. Fund balance is being reduced by \$2.52 million to report the infrastructure and debt service reserve in its own fund.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the City's governmental activities and business-type activities had invested \$157 million and \$271 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$7.5 million or 5% over the end of last fiscal year for governmental activities and a change of \$18 million or 7% for business-type activities.

<i>Amounts in (000's)</i>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 20,013	\$ 20,013	\$ 2,489	\$ 2,489	\$ 22,502	\$ 22,502
Construction in progress	20,715	16,714	105,252	89,954	125,967	106,668
Infrastructure	56,998	60,614	99,875	94,309	156,873	154,923
Building and Improvements	45,526	36,692	43,208	44,113	88,734	80,805
Contractual water rights	-	-	13,871	15,840	13,871	15,840
Equipment and furniture	13,887	15,610	7,249	7,042	21,136	22,652
Total Capital Assets	<u>\$ 157,139</u>	<u>\$ 149,643</u>	<u>\$ 271,944</u>	<u>\$ 253,747</u>	<u>\$ 429,083</u>	<u>\$ 403,390</u>

The increase in construction in progress for governmental activities is due to construction activities in various areas including:

- Preservation Green project,
- 61st to 103rd Beach Re-nourishment project,
- 43rd Street Broadway to Avenue U project,
- 53rd Street Broadway to the Seawall project,
- Island Transit Bus Wash,
- ADA Ramps,
- Police Evidence Room Remodeling project,
- Sidewalk project at Hollywood Heights,
- Sidewalk project for Avenues K and L,
- Roadway Reconstruction Design involving Avenue N, Avenue R, and Sealy Avenue,
- Neighborhood Revitalization projects in several council districts.

The increase in construction in progress for business-type activities is due to the construction activities in various areas including:

- City wide Fire Hydrant Replacement Program,
- Construction of the 59th street pump station,
- Reconstruction of the Main Wastewater Treatment Plant,
- City wide repair of sewer lift stations,
- Airport North and South Taxiways project,
- Airport Roadways Improvements project,
- Sea Isle Drainage Improvement Project, and
- Outfall rehabilitation on Harborside Drive.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-Term Debt

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$127 million.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 14,620	\$ 16,472	\$ -	\$ -	\$ 14,620	\$ 16,472
Special obligation bonds	25,200	25,960	-	-	25,200	25,960
Contracts payable	-	-	21,439	24,209	21,439	24,209
Revenue bonds	-	-	28,810	33,525	28,810	33,525
Certificates of obligation	16,440	19,378	13,210	13,673	29,651	33,051
Notes payable	836	937	774	1,923	1,609	2,860
Capital lease obligation	-	882	-	-	-	882
Discount and premiums	2,208	1,777	3,462	687	5,670	2,464
	<u>\$ 59,304</u>	<u>\$ 65,406</u>	<u>\$ 67,695</u>	<u>\$ 74,017</u>	<u>\$ 126,999</u>	<u>\$ 139,423</u>

During FY 2015, the City paid down its debt by approximately \$9 million, including savings from the fall, 2014 refunding of bonds.

Additional information on long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Galveston's economy is tied to the national economy through tourism and trade, as well as the Texas state and Houston regional economy and their strong energy base. For these reasons, the city has a diversified basis for its economy that profits from local, regional, national and even international factors. Even with oil prices in the \$30 per barrel range, the region is holding flat in its employment performance. The national economy has slowed somewhat, but job growth continues. Local construction permits remain healthy and it is clear that Galveston's economic outlook is stable.

The assumptions behind the FY 2016 Budget reflect Galveston's continued steady growth after several years of strong growth. FY 2016 property taxes are based on values from calendar year 2014, and revenues are up almost ten percent. The property tax rate was reduced slightly from \$0.53389 to \$0.529 per \$100 of taxable value and all property tax exemptions were maintained at their current levels. Sales tax growth has slowed somewhat due to the regional energy slowdown, and is in the 2-3% annual growth range. Water and sewer revenue is reflecting the increase in and restructuring of rates with somewhat higher revenues and strong evidence of conservation by water customers at higher consumption and rate levels.

The budget showed caution in spending, including a two percent compensation adjustment for all city employees. A compensation market study provided the basis for adjustments to minimum salaries for a variety of jobs, with a significant group of employees getting an additional 3-5% so their pay would meet the market minimum standard. Prudent management has resulted in controlled expenditures in the city's health benefits plans, and no increase was necessary for FY 2016. New capital budgeting and tracking techniques are allowing the city to make best use of its available capital fund resources in funding its increase in local funding for capital projects.

CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Requests for Information

This financial report is designed to provide a general overview of the City of Galveston's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Galveston, P.O. Box 779, Galveston, TX 77553, or physically located at 823 Rosenberg, Suite 300, Galveston, TX 77550.

BASIC FINANCIAL STATEMENTS

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CITY OF GALVESTON, TEXAS

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 54,376,125	\$ 11,919,225	\$ 66,295,350	\$ 28,395,844
Investments	-	-	-	2,317,151
Accounts receivable, net of allowance for doubtful accounts	5,871,679	10,356,165	16,227,844	13,599,916
Internal balances	(1,898,919)	1,898,919	-	-
Due from other governments	35,089,137	-	35,089,137	-
Due from component units	9,832,139	-	9,832,139	-
Restricted Cash	21,485,298	20,373,812	41,859,110	34,491,857
Inventories	486,017	141,870	627,887	16,897
Prepaid items	755,606	630,189	1,385,795	991,105
Net investment in direct financing and capital leases - non-current	-	-	-	2,256,990
Total current assets	125,997,082	45,320,180	171,317,262	82,069,760
Non-current assets:				
Capital assets not being depreciated	40,728,364	107,741,517	148,469,881	41,061,238
Capital assets net of depreciation	116,410,501	164,203,364	280,613,865	443,126,787
Total non-current assets	157,138,865	271,944,881	429,083,746	484,188,025
Total Assets	283,135,947	317,265,061	600,401,008	566,257,785
Deferred Outflows of Resources				
Deferred charge on refunding	416,114	-	416,114	-
Deferred outflows relating to pension activities	3,313,570	670,800	3,984,370	-
Total Deferred Outflows of Resources	3,729,684	670,800	4,400,484	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	12,935,029	2,900,695	15,835,724	12,831,548
Due to Other Governments	2,142,093	455,574	2,597,667	639,259
Due to component units	-	-	-	-
Accrued interest	426,915	816,594	1,243,509	918,398
Unearned revenue	14,531,171	217,311	14,748,482	13,500
Customer deposits	-	2,276,912	2,276,912	-
Total current liabilities	30,035,208	6,667,086	36,702,294	14,402,705
Non-current liabilities:				
Due within one year	6,508,273	6,502,083	13,010,356	6,093,309
Due in more than one year	66,120,728	62,437,763	128,558,491	91,203,449
Net pension liability	49,891,155	4,529,400	54,420,555	-
Total non-current liabilities	122,520,156	73,469,246	195,989,402	97,296,758
Total Liabilities	152,555,364	80,136,332	232,691,696	111,699,463
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	142,594
Deferred inflows relating to pension activities	2,584,646	-	2,584,646	-
Total Deferred Inflows of Resources	2,584,646	-	2,584,646	142,594
Net Position				
Net investment in capital assets	110,738,615	178,031,761	288,770,376	442,392,516
Restricted:	-	-	-	-
Capital projects	-	10,451,897	10,451,897	-
Grants	10,128,787	-	10,128,787	8,317,602
Beach preservation	864,030	-	864,030	-
Debt Service	4,850,743	7,645,003	12,495,746	-
Tourism, convention and hotel industry	-	-	-	-
Convention center operator	4,066,682	-	4,066,682	-
City of Galveston	3,375,562	-	3,375,562	-
Unrestricted	(2,298,798)	41,670,868	39,372,070	3,705,610
Total Net Position	\$ 131,725,621	\$ 237,799,529	\$ 369,525,150	\$ 454,415,728

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 8,283,721	\$ 1,976,786	\$ 52,065	\$ 2,396,180
Public safety	32,839,586	2,112,577	279,100	619,297
Public works	6,569,866	-	-	2,323,357
Culture and recreation	12,239,555	225	103,320	36,006
Planning and community development	8,798,556	2,002,188	1,957,569	23,824,259
Transportation system	8,423,514	1,364,777	3,579,646	5,423,880
Interest on long-term debt	1,895,621	-	-	-
Total governmental activities	79,050,419	7,456,553	5,971,700	34,622,979
Business-type activities:				
Waterworks	17,416,460	17,036,008	-	-
Sanitation	5,077,513	5,660,547	-	-
Drainage	2,537,231	2,707,764	-	46,307
Sewer system	12,443,842	11,908,378	-	-
Airport	1,709,099	1,593,912	68,904	896,162
Total business-type activities	39,184,145	38,906,609	68,904	942,469
Total primary government	\$ 118,234,564	\$ 46,363,162	\$ 6,040,604	\$ 35,565,448
Component Units	72,750,055	36,644,362	-	20,155,984
Total component units	\$ 72,750,055	\$ 36,644,362	\$ -	\$ 20,155,984

General revenues and extraordinary items

Property taxes
Sales Tax
Hotel occupancy taxes
Franchise Tax
Payments in lieu of taxes
Unrestricted investment earnings
Miscellaneous
Extraordinary item - Insurance proceeds and Ike clean up
Transfers
Total general revenues and extraordinary items
Change in net position

Net position - beginning

Prior period adjustments

Net position - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,858,690)	\$ -	\$ (3,858,690)	
(29,828,612)	-	(29,828,612)	
(4,246,509)	-	(4,246,509)	
(12,100,004)	-	(12,100,004)	
18,985,460	-	18,985,460	
1,944,789	-	1,944,789	
(1,895,621)	-	(1,895,621)	
<u>(30,999,187)</u>	<u>-</u>	<u>(30,999,187)</u>	
-	(380,452)	(380,452)	
-	583,034	583,034	
-	216,840	216,840	
-	(535,464)	(535,464)	
-	849,879	849,879	
-	<u>733,837</u>	<u>733,837</u>	
<u>\$ (30,999,187)</u>	<u>\$ 733,837</u>	<u>\$ (30,265,350)</u>	
			<u>(15,949,709)</u>
			<u>\$ (15,949,709)</u>
23,271,962	-	23,271,962	3,690,482
20,587,781	-	20,587,781	-
7,068,458	-	7,068,458	9,916,863
5,244,681	-	5,244,681	-
206,678	-	206,678	-
299,055	178,554	477,609	246,128
511,750	30,317	542,067	88,132
7,111,424	-	7,111,424	(1,963,657)
<u>(18,951,010)</u>	<u>18,951,010</u>	<u>-</u>	<u>(407,445)</u>
<u>45,350,779</u>	<u>19,159,881</u>	<u>64,510,660</u>	<u>11,570,503</u>
<u>14,351,592</u>	<u>19,893,718</u>	<u>34,245,310</u>	<u>(4,379,206)</u>
166,477,841	221,202,211	387,680,052	458,794,934
<u>(49,103,812)</u>	<u>(3,296,400)</u>	<u>(52,400,212)</u>	<u>-</u>
<u>\$ 131,725,621</u>	<u>\$ 237,799,529</u>	<u>\$ 369,525,150</u>	<u>\$ 454,415,728</u>

CITY OF GALVESTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	<u>General Fund</u>	<u>Hurricane Ike</u>	<u>CDBG Disaster Fund Non- Housing</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 9,428,131	\$ 7,695,813	\$ -	\$ 49,521,658	\$ 66,645,602
Receivables, net of allowance for uncollectibles	3,693,218	-	-	2,081,414	5,774,632
Due from other governments	2,713,629	13,252,848	11,057,051	8,097,886	35,121,414
Due from other funds	7,352,777	-	-	-	7,352,777
Inventories	-	-	-	264,300	264,300
Prepaid items	92,764	-	-	249,875	342,639
Total Assets	\$ 23,280,519	\$ 20,948,661	\$ 11,057,051	\$ 60,215,133	\$ 115,501,364
Liabilities					
Accounts payable	\$ 988,016	\$ 639,157	\$ 5,880,084	\$ 2,969,669	\$ 10,476,926
Accrued liabilities	1,044,151	2,668	4,186	126,382	1,177,387
Due to other funds	-	-	4,491,519	2,861,258	7,352,777
Payable to other governments	207,033	157,127	-	1,894,500	2,258,660
Unearned revenue	652,857	10,571,770	130,414	4,114,042	15,469,083
Total Liabilities	2,892,057	11,370,722	10,506,203	11,965,851	36,734,833
Deferred Inflows of Resources					
Unavailable revenue - property taxes	1,012,232	-	-	154,466	1,166,698
Unavailable revenue - court fines	718,761	-	-	-	718,761
Total Deferred Inflows of Resources	1,730,993	-	-	154,466	1,885,459
Fund Balance					
Nonspendable:					
Inventories	-	-	-	264,300	264,300
Prepaid items	92,764	-	-	249,875	342,639
Restricted:					
Debt service	-	-	-	5,139,884	5,139,884
Beach preservation	-	-	-	864,030	864,030
Capital projects	-	-	-	26,858,694	26,858,694
Grants	-	9,577,939	550,848	-	10,128,787
Tourism, convention and hotel industry					
Convention center operator	-	-	-	4,066,682	4,066,682
City of Galveston	-	-	-	3,375,562	3,375,562
Committed					
Emergency reserves	3,575,226	-	-	-	3,575,226
Governmental projects	-	-	-	7,517,189	7,517,189
Unassigned	14,989,479	-	-	(241,400)	14,748,079
Total Fund Balance	18,657,469	9,577,939	550,848	48,094,816	76,881,072
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 23,280,519	\$ 20,948,661	\$ 11,057,051	\$ 60,215,133	\$ 115,501,364

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE

STATEMENT OF NET POSITION

September 30, 2015

Total fund balance, governmental funds \$ 76,881,072

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$267,886,099 and the accumulated depreciation is \$116,189,131. 151,696,968

Long-term non-financial receivables are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds. This represents capital contributions due from developers in the future.

Property taxes receivable 1,166,698
Adjudicated municipal court fines 718,761
Long-term receivable from component unit 9,832,139

Long-term liabilities, including bonds payable, compensated absences, and net pension liability are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

Bonds payable, at maturity (53,293,298)
Accrued interest on the bonds (366,675)
Premium/discount of bonds payable (2,291,091)
Compensated absences (8,243,892)
Deferred charge on refunding of debt 416,114
Net pension liability (49,891,155)

(113,669,997)

Deferred outflows and deferred inflows relating to pension activities 728,924

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

4,508,639

Net Position of Governmental Activities in the Statement of Net Position \$ 131,863,204

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Hurricane Ike</u>	<u>CDBG Disaster Fund Non- Housing</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property taxes	\$ 19,011,167	\$ -	\$ -	\$ 9,150,497	\$ 28,161,664
Sales tax	15,641,489	-	-	7,068,482	22,709,971
Franchise and other taxes	5,244,681	-	-	-	5,244,681
Licenses and permits	1,437,379	-	-	-	1,437,379
Fines and forfeitures	1,662,803	-	-	112,414	1,775,217
Charges for services	1,676,861	-	-	2,535,092	4,211,953
Investment earnings	101,923	-	-	155,802	257,725
Intergovernmental	206,678	6,436,015	23,196,761	12,563,928	42,403,382
Other	680,543	-	-	7,710,353	8,390,896
Total Revenues	<u>45,663,524</u>	<u>6,436,015</u>	<u>23,196,761</u>	<u>39,296,568</u>	<u>114,592,868</u>
Expenditures					
Current:					
General government	7,035,153	459,423	-	536,066	8,030,642
Public safety	26,419,334	89,703	-	386,183	26,895,220
Highways and roads	3,230,177	328,923	-	-	3,559,100
Culture and recreation	2,255,701	5,510	-	7,741,427	10,002,638
development	2,128,238	81,736	556,549	1,600,584	4,367,107
Transportation	920,087	80,466	-	4,656,186	5,656,739
Debt Service:					
Principal	-	-	-	4,681,927	4,681,927
Interest and other charges	-	-	-	2,366,468	2,366,468
Bond issuance costs	-	-	-	133,695	133,695
Capital Outlay	<u>1,268,014</u>	<u>643,796</u>	<u>6,956,342</u>	<u>12,677,464</u>	<u>21,545,616</u>
Total Expenditures	<u>43,256,704</u>	<u>1,689,557</u>	<u>7,512,891</u>	<u>34,780,000</u>	<u>87,239,152</u>
Excess (deficiency) of revenues over expenditures	<u>2,406,820</u>	<u>4,746,458</u>	<u>15,683,870</u>	<u>4,516,568</u>	<u>27,353,716</u>
Other Financing Sources (Uses)					
Proceeds from refunding bonds	-	-	-	5,900,000	5,900,000
Premiums on refunding bonds	-	-	-	832,890	832,890
Payment to escrow agent	-	-	-	(6,583,192)	(6,583,192)
Sale of capital assets	99,109	-	-	-	99,109
Transfers in	772,395	-	-	5,893,834	6,666,229
Transfers (out)	(1,987,619)	(4,746,458)	(15,698,641)	(3,904,160)	(26,336,878)
Total other Financing Sources and Uses	<u>(1,116,115)</u>	<u>(4,746,458)</u>	<u>(15,698,641)</u>	<u>2,139,372</u>	<u>(19,421,842)</u>
Net change in fund balance	1,290,705	-	(14,771)	6,655,940	7,931,874
Fund balance - beginning	19,886,292	9,577,939	565,619	38,919,348	68,949,198
Prior period adjustment	<u>(2,519,528)</u>	<u>-</u>	<u>-</u>	<u>2,519,528</u>	<u>-</u>
Fund balance - ending	<u>\$ 18,657,469</u>	<u>\$ 9,577,939</u>	<u>\$ 550,848</u>	<u>\$ 48,094,816</u>	<u>\$ 76,881,072</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balance - total governmental funds: \$ 7,931,874

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation (\$8,919,602) is exceeded by capital outlays (\$17,075,726) in the current period.	7,856,124
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(2,801)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(175,878)
Governmental funds report the repayment of long-term receivables as revenues when received and available. In contrast these receipts are treated as a reduction in the receivable at the government wide level of reporting.	(2,309,016)
Contributions for defined benefit pension plans are recognized as expenditures in the governmental funds when the contributions are made. Pension expense is recognized in the government wide statement of activities based on changes in the long-term net pension liability.	3,317,823
Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	4,550,892
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	
Changes in accrued interest	448,538
Changes in accrued compensated absences	(519,234)
Pension expense for the pension plan measurement year	(6,883,852)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>137,122</u>
Change in net position of governmental activities	<u>\$ 14,351,592</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	<i>General Fund</i>			Variance with Final Budget Positive / (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property taxes	\$ 18,546,689	\$ 18,546,689	\$ 19,011,167	\$ 464,478
Sales tax	15,323,560	15,323,560	15,641,489	317,929
Franchise and other taxes	5,324,415	5,324,415	5,244,681	(79,734)
Licenses and permits	1,043,744	1,043,744	1,437,379	393,635
Fines and forfeitures	2,211,908	2,211,908	1,662,803	(549,105)
Charges for services	1,782,774	1,782,774	1,676,861	(105,913)
Investment earnings	69,111	69,111	101,923	32,812
Intergovernmental	146,678	146,678	206,678	60,000
Other	878,365	878,365	680,543	(197,822)
Total Revenues	<u>45,327,244</u>	<u>45,327,244</u>	<u>45,663,524</u>	<u>336,280</u>
Expenditures				
Current:				
General government	11,388,286	9,118,332	7,035,153	2,083,179
Public safety	27,474,340	26,881,270	26,419,334	461,936
Highways and roads	3,363,208	3,337,624	3,230,177	107,447
Culture and recreation	2,317,527	2,317,527	2,255,701	61,826
Planning and community development	2,267,156	2,217,106	2,128,238	88,868
Transportation	750,050	920,100	920,087	13
Debt Service	18,880	18,880	-	18,880
Capital Outlay	1,237,160	1,540,630	1,268,014	272,616
Total Expenditures	<u>48,816,607</u>	<u>46,351,469</u>	<u>43,256,704</u>	<u>3,094,765</u>
Excess (deficiency) of revenues over expenditures	<u>(3,489,363)</u>	<u>(1,024,225)</u>	<u>2,406,820</u>	<u>3,431,045</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	-	-
Transfers in	640,000	640,000	772,395	132,395
Transfers (out)	(1,851,634)	(1,977,634)	(1,987,619)	(9,985)
Sale of capital assets	9,728	9,728	99,109	89,381
Total Other Financing Sources (Uses)	<u>(1,201,906)</u>	<u>(1,327,906)</u>	<u>(1,116,115)</u>	<u>211,791</u>
Net change in fund balance	(4,691,269)	(2,352,131)	1,290,705	3,642,836
Fund balance - beginning	19,886,292	19,886,292	19,886,292	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(2,519,528)</u>	<u>(2,519,528)</u>
Fund balance - ending	<u>\$ 15,195,023</u>	<u>\$ 17,534,161</u>	<u>\$ 18,657,469</u>	<u>\$ 1,123,308</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,866,738	\$ 4,698,047	\$ 3,354,440	\$ 11,919,225	\$ 9,001,855
Accounts receivable, net of allowance for doubtful accounts	3,383,204	3,118,680	3,854,281	10,356,165	127,385
Due from other funds	-	29,249	91,499	120,748	-
Inventories	70,935	70,935	-	141,870	221,717
Prepaid items	236,270	285,326	108,593	630,189	412,967
Restricted cash and cash equivalents	6,994,965	11,349,035	2,029,812	20,373,812	203,459
Total current assets	14,552,112	19,551,272	9,438,625	43,542,009	9,967,383
Non-current assets:					
Capital assets not being depreciated:					
Land	686,031	572,536	1,230,764	2,489,331	-
Construction in progress	5,644,127	92,957,058	6,651,001	105,252,186	-
Capital assets (net of depreciation):					
Infrastructure	59,875,936	26,537,103	14,075,570	100,488,609	-
Buildings and improvements	22,277,251	17,769,243	3,161,432	43,207,926	4,783,873
Equipment and furniture	931,169	1,766,339	4,552,049	7,249,557	658,024
Intangibles	13,257,272	-	-	13,257,272	-
Total non-current assets	102,671,786	139,602,279	29,670,816	271,944,881	5,441,897
Total Assets	117,223,898	159,153,551	39,109,441	315,486,890	15,409,280
Deferred Outflows of Resources					
Deferred outflows relating to pension activities	128,900	274,500	267,400	670,800	-
Total Deferred Outflows of Resources	128,900	274,500	267,400	670,800	-
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	1,513,101	884,492	503,102	2,900,695	278,343
Accrued interest	373,958	442,636	-	816,594	60,240
Due to other funds	27,443	-	93,305	120,748	-
Due to other governments	152,036	-	303,538	455,574	-
Customer deposits	1,138,456	1,138,456	-	2,276,912	-
Unearned revenue	-	5,000	212,311	217,311	-
Total current liabilities	3,204,994	2,470,584	1,112,256	6,787,834	338,583
Non-current liabilities:					
Due within one year	4,375,006	2,074,037	53,040	6,502,083	437,950
Due in more than one year	38,580,551	23,403,684	453,528	62,437,763	8,362,770
Net pension liability	870,400	1,853,700	1,805,300	4,529,400	-
Total non-current liabilities	43,825,957	27,331,421	2,311,868	73,469,246	8,800,720
Total Liabilities	47,030,951	29,802,005	3,424,124	80,257,080	9,139,303
Net Position					
Net investment in capital assets	60,353,920	114,999,602	2,678,239	178,031,761	5,441,897
Restricted:					
Capital projects	2,652,916	5,769,169	2,029,812	10,451,897	-
Debt service	3,203,593	4,441,410	-	7,645,003	-
Unrestricted	4,111,418	4,415,865	31,244,666	39,771,949	828,080
Total Net Position	\$ 70,321,847	\$ 129,626,046	\$ 35,952,717	\$ 235,900,610	\$ 6,269,977

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

1,898,919

Total Net Position per Government-Wide financial statements

\$ 237,799,529

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Waterworks System	Sewer System	Other	Total	Activities
			Enterprise Funds		Internal Service Funds
Revenues					
Charges for services	\$ 17,326,455	\$ 11,908,379	\$ 9,671,775	\$ 38,906,609	\$ 15,236,989
Total Operating Revenues	<u>17,326,455</u>	<u>11,908,379</u>	<u>9,671,775</u>	<u>38,906,609</u>	<u>15,236,989</u>
Operating Expenses					
Personnel services	2,131,912	4,288,447	4,178,321	10,598,680	2,421,001
Contractual services	1,132,090	1,659,504	2,177,416	4,969,010	989,843
Supplies and materials	1,049,999	1,570,114	275,521	2,895,634	2,601,866
Surface water contract	5,871,645	-	-	5,871,645	-
Insurance claims and premiums	-	-	-	-	8,605,063
Other expenses	1,031,265	572,793	464,114	2,068,172	859,670
Administration charge	656,252	400,535	309,353	1,366,140	-
Depreciation	4,474,624	2,595,713	1,742,921	8,813,258	382,438
Total Operating Expenses	<u>16,347,787</u>	<u>11,087,106</u>	<u>9,147,646</u>	<u>36,582,539</u>	<u>15,859,881</u>
Operating income (loss)	<u>978,668</u>	<u>821,273</u>	<u>524,129</u>	<u>2,324,070</u>	<u>(622,892)</u>
Non-Operating Revenues (Expenses)					
Intergovernmental revenue	-	-	68,904	68,904	-
Interest and investment revenue	68,223	86,901	23,428	178,552	41,330
Insurance proceeds	-	-	-	-	64,684
Gain (loss) on disposal of capital assets	7,622	22,696	(87,671)	(57,353)	8,834
Interest expense	(1,080,592)	(1,322,069)	-	(2,402,661)	(185,746)
Total Non-operating Revenue (Expenses)	<u>(1,004,747)</u>	<u>(1,212,472)</u>	<u>4,661</u>	<u>(2,212,558)</u>	<u>(70,898)</u>
Income (loss) before contributions and transfers	<u>(26,079)</u>	<u>(391,199)</u>	<u>528,790</u>	<u>111,512</u>	<u>(693,790)</u>
Capital contributions	-	-	942,469	942,469	-
Transfers in	3,495,261	19,798,997	1,511,598	24,805,856	719,638
Transfers out	(2,665,622)	(2,448,541)	(740,682)	(5,854,845)	-
Change in net position	<u>803,560</u>	<u>16,959,257</u>	<u>2,242,175</u>	<u>20,004,992</u>	<u>25,848</u>
Total net position - beginning	<u>70,151,787</u>	<u>114,015,889</u>	<u>35,024,342</u>	<u>219,192,018</u>	<u>7,107,645</u>
Prior period adjustment	(633,500)	(1,349,100)	(1,313,800)	(3,296,400)	(863,516)
Total net position - ending	<u>\$ 70,321,847</u>	<u>\$ 129,626,046</u>	<u>\$ 35,952,717</u>	<u>\$ 235,900,610</u>	<u>\$ 6,269,977</u>

Change in net position per above \$ 20,004,992

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.

(111,274)

Change in Business-Type Activities in Net Position per Government-Wide Financial Statements

\$ 19,893,718

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 16,560,210	\$ 11,744,059	\$ 9,424,358	\$ 37,728,627	\$ 15,310,259
Disbursed for personnel services	(1,993,013)	(4,075,588)	(3,961,768)	(10,030,369)	(2,402,036)
Disbursed for goods and services	(8,822,595)	(3,836,944)	(2,793,846)	(15,453,385)	(12,996,153)
Administrative service charge	(656,252)	(400,535)	(309,353)	(1,366,140)	-
Net cash provided (used) by operating activities	5,088,350	3,430,992	2,359,391	10,878,733	(87,930)
Cash Flows from Non-Capital Financial Activities:					
Transfers from other funds	3,495,261	19,798,997	1,511,598	24,805,856	719,400
Transfers to other funds	(2,665,622)	(2,448,541)	(740,682)	(5,854,845)	-
Net cash provided (used) by noncapital financing activities	829,639	17,350,456	770,916	18,951,011	719,400
Cash Flows from Capital and Related Financing Activities:					
Proceeds from the sale of equipment	7,622	22,696	-	30,318	8,834
Insurance proceeds	-	-	-	-	64,684
Capital grants	-	-	68,904	68,904	-
Proceeds from issuance of debt	10,212,800	10,212,800	-	20,425,600	-
Interest payments on debt	(1,100,155)	(1,315,661)	-	(2,415,816)	(1,801)
Principal payments on debt	(14,549,775)	(12,199,763)	-	(26,749,538)	(1,065,326)
Acquisition and construction of capital assets	(3,820,305)	(19,724,439)	(2,607,783)	(26,152,527)	(272,093)
Net cash used by capital and related financing activities	(9,249,813)	(23,004,367)	(2,538,879)	(34,793,059)	(1,265,702)
Cash Flows from Investing Activities					
Interest received	68,223	86,901	23,428	178,552	41,333
Interest paid	-	-	-	-	(185,746)
Net cash provided (used) by investing activities	68,223	86,901	23,428	178,552	(144,413)
Net increase (decrease) in cash and equivalents	(3,263,601)	(2,136,018)	614,856	(4,784,763)	(778,645)
Cash and equivalents, beginning of year	14,125,304	18,183,100	4,769,396	37,077,800	9,983,959
Cash and equivalents, at end of year	\$ 10,861,703	\$ 16,047,082	\$ 5,384,252	\$ 32,293,037	\$ 9,205,314
Unrestricted cash and equivalents	\$ 3,866,738	\$ 4,698,047	\$ 3,354,440	\$ 11,919,225	\$ 9,001,855
Restricted cash and equivalents	6,994,965	11,349,035	2,029,812	20,373,812	203,459
	\$ 10,861,703	\$ 16,047,082	\$ 5,384,252	\$ 32,293,037	\$ 9,205,314
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 978,668	\$ 821,273	\$ 524,129	\$ 2,324,070	\$ (622,892)
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation	4,474,624	2,595,713	1,742,921	8,813,258	382,438
(Increase) decrease in accounts receivable	(459,757)	43,223	(182,618)	(599,152)	73,270
(Increase) decrease in inventory	69	69	547	685	(22,857)
(Increase) decrease in prepaid items	(236,270)	(285,326)	(108,593)	(630,189)	(84,981)
(Increase) decrease in due to from funds	-	1	-	1	-
(Increase) decrease in deferred outflows relating to pension activities	(128,900)	(274,500)	(267,400)	(670,800)	-
Increase (decrease) in accounts payable	498,605	250,724	231,251	980,580	168,127
Increase (decrease) in due to other funds	(13,855)	(205,358)	(90,193)	(309,406)	-
Increase (decrease) in customer deposits	(2,186)	(2,186)	-	(4,372)	-
Increase (decrease) in compensated absences	30,899	(17,241)	(7,547)	6,111	-
Increase (decrease) in deferred revenue	(290,447)	-	25,394	(265,053)	-
Increase (decrease) in net pension liability	236,900	504,600	491,500	1,233,000	18,965
Net cash provided by operating activities	\$ 5,088,350	\$ 3,430,992	\$ 2,359,391	\$ 10,878,733	\$ (87,930)
Non-cash Transactions:					
Contributed Capital	\$ -	\$ -	\$ 942,469	\$ 942,469	

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

	Pension Trust Fund as of December 31, 2014	Agency Fund as of September 30, 2015
	<u> </u>	<u> </u>
Assets		
Cash and temporary investments	\$ 1,301,768	\$ 963,798
Receivables		
Interest and dividends	153,383	-
Loans to participants	181,879	-
Investments		
Money market funds	1,433,044	-
U.S. Government agencies	1,000,168	-
Bonds	2,873,421	-
Common stocks	39,983,932	-
Equity mutual funds	29,628,001	-
Bond mutual funds	27,652,509	-
Alternative investments	4,314,123	-
Real estate	24,484	-
Prepaid items	8,511	-
Total Assets	<u>108,555,223</u>	<u>\$ 963,798</u>
Liabilities		
Accounts payable	52,316	\$ 6,875
Refunds payable and others	-	956,923
Total Liabilities	<u>52,316</u>	<u>\$ 963,798</u>
Net Position		
Held in trust for benefits and other purposes	<u>108,502,907</u>	
Total Net Position	<u>\$ 108,502,907</u>	

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
December 31, 2014

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 4,063,104
Plan members	3,592,036
Total contributions	<u>7,655,140</u>
Investment Earnings:	
Net increase in fair value of investments	2,563,013
Interest and dividends	2,420,886
Less investment expenses	(593,000)
Net investment income	<u>4,390,899</u>
Total Additions	12,046,039
Deductions	
Benefits paid to members and beneficiaries	10,568,935
Refunds of contributions	211,157
Administrative expenses	342,359
Total Deductions	<u>11,122,451</u>
Change in net position	923,588
Net position, beginning of year	<u>107,579,319</u>
Net position, end of year	<u>\$ 108,502,907</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The City of Galveston, Texas (the City) was incorporated in March 1839, and presently is a Home Rule City under statutes of the State of Texas. The current City Charter was adopted April 19, 1960, and initiated the Council-Manager form of government. The City provides the following services: public safety (police and fire), utilities (water, sewer, drainage and sanitation), streets and storm sewers, health and social services, culture, recreation, public improvements, planning and zoning, airport and general administrative services.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The aggregate governmental and business-type discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended Component Units Reported with the Primary Government

Blended component units provide services exclusively or almost exclusively for the City, or their board of directors are substantially the same as the City Council. The following blended component units are reported:

Industrial Development Corporation

The Industrial Development Corporation (the IDC) was formed in 1993 to provide for street repairs, beach re-nourishment and sewer improvements. The IDC Board of Directors is appointed by City Council. Its Board of Directors is substantially the same as the City Council. Its activities are funded by a special local sales tax. The City manages the fiscal affairs of the IDC. The IDC operations are devoted to providing services for the City. The IDC fund is included in the City's non-major governmental funds as of year-end.

Pension Funds

The City of Galveston Employee's Retirement Plan for City Employees, Galveston Firefighters' Pension Fund, and the City of Galveston Employee's Retirement Plan for Police (the Pension Funds) were created in accordance with state statutes to provide benefits to non-civil service, firemen, police and City employees. The responsibility for administration and operation of the plan rests with each plan's board. Each pension plan is funded by a contribution mix from employees and the City. The Pension Funds are included in the City's pension trust funds as of December 31, 2014.

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units

Discretely presented component units are legally separate entities whose governing body is appointed by City Council and, in management's opinion, whose exclusion would render the reporting entity's financial statements incomplete or misleading.

Following are the City's discretely presented component units:

The Park Board of Trustees of the City of Galveston, Texas

The Park Board of Trustees of the City of Galveston, Texas, (the Park Board), was created by state statute to provide improvements and maintenance to City waterfront parks and beaches. The Park Board, funded primarily by hotel occupancy tax and beach parking receipts, is legally separate from the City. The Park Board, which is appointed by the City Council, has a nine-member board responsible for operations. The Park Board financial records are the board's responsibility. Complete financial statements for the Park Board may be obtained at the following address:

Park Board of Trustees of the City of Galveston, Texas
601 Tremont, Suite 200
Galveston, Texas 77550

Galveston Island Redevelopment Authority

Galveston Island Redevelopment Authority (GIRA) is a local government corporation created and organized under the provisions of the Texas Transportation Corporation Act, Chapter 431, Transportation Code, and authorized and approved by the City under Resolution No. 02-071 adopted on August 22, 2002. The GIRA is made up of four different tax reinvestment zones - zones eleven, twelve, thirteen, and fourteen. These tax zones were established to provide funds for development and improvement projects within specific geographic areas of the City. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the board members who operate and account for each tax zone activity consistent with the state statute for economic benefit of the City. The City accounts for the tax zones (consolidated into the GIRA) and separate audited reports are available. Complete financial statements for the GIRA may be obtained at the following address:

Galveston Island Redevelopment Authority
1011 Tremont Street
Galveston, Texas 77550

Public Improvement District- Campeche Shores

Campeche Shores Public Improvement District was established by the City to provide funds for development and improvement projects specifically for Campeche Shores District. An agreement between GIRA and Campeche Shores LP dated April 28, 2005, details the responsibilities between all parties, including the City. Under the authority of GIRA, the City has established a Public Improvement District Fund for the district. Each year, following the levy and collection of assessments, the City shall transfer the amount to GIRA. These funds are used by GIRA to pay the administrative costs and to reimburse Campeche Shores LP for any and all costs associated with the public improvements. Separately issued financial statements are not available.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units (continued)

Public Improvement District- Beachside Village

Beachside Village Public Improvement District was established by the City on February 11, 2010 to provide funds for street drainage and utility public improvement projects, specifically in Beachside Village Public Improvement District. The GIRA has an agreement with Kahala Development, Limited Partnership, which details the responsibilities between all parties, including the City. Each year, following the levy and collection of assessments levied against property within the district, the City shall transfer the amount to GIRA. These funds are used by GIRA to pay the administrative costs and to reimburse Kahala Development for the costs of constructing the public improvements. Separately issued financial statements are not available.

Bayside at Waterman's

Bayside at Waterman's Public Improvement District was established by the City on October 28, 2014 for the development of approximately 162 single family residences and associated rights-of-way, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities within approximately 21.5 acres located in the corporate limits of the City.

An agreement between Bayside at Waterman's Public Improvement District and Laffite's Harbor Development, LP was signed December 10, 2014. Wilmington Trust agreed to be the Trustee and Paying Agent/Registrar as of December 1, 2014 for bonds issued relating to the development of the district. The bonds mature September 1, 2044. The average annual interest rate for bonds is approximately 5.85%.

The Galveston Housing Finance Corporation and City of Galveston Property Finance Authority

The Galveston Housing Finance Corporation was created by state statute to provide the making of home mortgages and the making of loans to lending institutions for the purpose of making home mortgages. The City of Galveston Property Finance Authority, Inc. was created by State Statute for the purpose of acquiring, owning, holding, leasing and selling real or personal property to or for the benefit of the City of Galveston for the furtherance of its public purposes, and collecting, receiving, borrowing, lending or otherwise obtaining and lending funds to or for the use of the City or to others for the City's public purposes. These corporations are managed by the identical seven-member board, which is appointed and may be removed at will by the City Council. The Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. financial records are each corporation's responsibility.

Complete financial statements for the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. may be obtained at the following address:

The Galveston Housing Finance Corporation /
The City of Galveston Property Finance Authority, Inc.
2127 Broadway
Galveston, Texas 77550

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units (continued)

The Board of Trustees of the Galveston Wharves

The Board of Trustees of the Galveston Wharves (Galveston Wharves) was created by the City Charter on October 17, 1940 to manage, control, and maintain the wharves. The board of trustees of the Galveston Wharves, which is appointed by City Council, is a seven-member board, which is responsible for operating the wharves. The Galveston Wharves financial records are the board's responsibility. The Galveston Wharves have a December 31 fiscal year-end.

Complete financial statements for the Galveston Wharves may be obtained at the following address:

Board of Trustees of the Galveston Wharves
123 Rosenberg
Galveston, Texas 77550

Related Organizations and Jointly Governed Organizations

The City is not legally or financially accountable for certain entities even though the City may appoint a majority of the organizations' boards; therefore the financial statements of the Galveston Housing Authority and the Rosenberg Library are not included in these statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column in the appropriate governmental fund and proprietary fund statements.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, license fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues for the General Fund are property taxes, sales and use taxes, franchise taxes, permit fees, and fines and forfeitures. Expenditures are for general government, finance, public safety, public works, culture and recreation, planning and community development and transit operations.

The **Hurricane Ike Fund** is used to account for grant resources from the Federal Emergency Management Agency (FEMA), insurance recoveries and various sources. The use of these resources is restricted to specific expenditures related to Hurricane Ike.

CDBG Disaster Recovery Non-housing are made available from 2008 Supplemental Community Development Block Grant funding associated with the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, (Public Law 11 0-329) appropriated by Congress through the United States Department of Housing and Urban Development. Projects included in the funding are for waste water treatment plant, sewer lift station, water systems, historic building front preservation, economic development loans, fire station #4 and fire apparatus.

The government reports the following major proprietary funds:

The **Waterworks System Fund** accounts for the provision of water to the residents of the City, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

The **Sewer System Fund** accounts for the provision of a sewer system to the residents of the City, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Additionally, the government reports the following fund types:

Internal Service Funds account for central services related to mailing, printing, data processing, insurance costs, employee benefits, construction management, and garage services provided to other City departments and functions of the government on a cost reimbursement basis.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:

The **Pension Trust Funds** account for the activities of the City Employees Retirement Plan, the Galveston Firefighters' Pension Fund and the Police Retirement Fund.

The **Agency Funds** are used to account for assets held by the City as an agent for individuals, private organizations and other governments. This fund is custodial in nature and does not involve measurement of results of operations. Agency funds include fiber crete maintenance funds, cemetery trust funds, confiscated monies pending disposition, etc.

As a general rule, the effect of inter-fund activity has been eliminated from the Government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and, 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for goods and services. Operating expenses for enterprise funds include the cost of goods 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.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

D. Cash and Investments

Cash and temporary investments include amounts in demand deposits, as well as short-term highly liquid investments with original maturities of three months or less. State Statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Government and its agencies or instrumentalities and state obligations, certificates of deposits, repurchase agreements, Texas Local Government Investment Pool (TexPool) and TexasTerm Local Government Investment Pool (TexTerm). All investments are recorded at fair value. TexPool and TexTerm are external investment pools established by an interlocal contract under state law.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as cash and temporary investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund based on its respective share of pooled investments.

E. Receivables and Payables

During the course of operations, numerous 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," respectively, on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 46.0% of total property taxes including the related penalty and interest accrual as of year-end. The allowance for enterprise fund charges for services is 24.0% of total outstanding charges as of year-end.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable on or before January 31. No penalties or interest shall be collected if payment in full is made by January 31. City property taxes are recognized as current receivables when levied; however, such amounts are deferred and not reported as revenues until collections are received. At year end, all property taxes receivable are classified as delinquent. Penalties and interest accrued at year end are also recognized as receivables.

F. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond September 30, 2015, are recorded as prepaid items.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	25 to 75 years
Improvements	5 to 50 years
Equipment	2 to 40 years
Sewer plants	50 to 75 years
Sewer lines	40 to 75 years
Water plants, wells and hydrants	50 to 75 years
Water tanks and valves	50 years
Water meters	10 years
Infrastructure	5 to 75 years
Contractual water rights	10 to 30 years

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Note 1 – Summary of Significant Accounting Policies (continued)

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be paid from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be paid from proprietary fund operations are accounted for in those funds.

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, net of issuance costs. Premiums or discounts associated with the debt are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Balances and Net Position

The governmental fund financial statements of the City will present fund balances based on classifications including a hierarchy that is based primarily on the extent to which the City is bound to honor restrictions on the specific purposes for which amounts in a particular governmental fund can be spent. The five classifications used in the governmental fund financial statements will be as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. These amounts would include inventories and prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant}, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. These guidelines are used for restricted net position.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the City Council, which has the highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The action must be taken by close of the reporting period. The amount of the commitment can be determined and approved by the City Council at a later date.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or by the City Council's designee, pursuant to the City's fund balance policy. At September 30, 2015, the City had no assigned fund balance amounts.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances and Net Position (continued)

Unassigned: This classification includes the residual fund balance for the General Fund. The general fund should be the only fund that reports a positive unassigned fund balance.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications are available.

K. Restricted Cash and Investments

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Other restricted accounts reflect money set aside by City Council action for improvements or to meet contractual obligations.

L. Inter-fund Transactions

Inter-fund services provided and received are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers.

M. Legal Compliance- Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Pursuant to City Charter, at least 45 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed operating and capital projects budget for the fiscal year commencing October 1. The proposed budget includes proposed expenditures and the means of financing them. A statement of capital projects planned for the next succeeding five fiscal years, with estimates of their costs is also submitted at this time.

At least seven days prior to the beginning of the fiscal year, the budget is legally enacted by formal approval of the City Council.

The City Charter requires that no funds shall be expended nor shall any obligation for the expenditure of money be incurred unless an appropriation exists in the duly adopted budget. Annual appropriations style budgets are adopted for the General Fund, Special Revenue Funds including the Island Transit, Rosenberg Library and Parks and Recreation Improvement Special Revenue Funds, the Debt Service Fund, and all Enterprise Funds. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, debt service funds and enterprise funds.

Budgets are adopted and accounted for on a modified accrual basis, with the following exceptions:

Annual budgets are not adopted for certain special revenue funds, primarily relating to grant based projects. These grant projects are controlled through project length budgets that may span multiple fiscal years.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Legal Compliance – Budgets (continued)

Capital and planning grant activities in the Island Transit fund are not budgeted on an annual basis and are controlled in a manner similar to the grant project funds noted above. Budgeted amounts are reported herein as amended throughout the year. There were three formal, ordinance approved budget amendments during FY 2015. Total appropriations did not increase to remain in compliance with the city charter requirement limiting the total budget to a seven percent increase overall each year. Appropriation balances lapse at year-end and may be re-appropriated by City Council.

Obligations outstanding at year-end through purchase orders, contracts and other commitments are re-appropriated in the subsequent year.

During the fiscal year, the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another at any time. The City Manager shall have authority, without City Council approval, to transfer appropriation balances from one expenditure account to another, inclusive within a single office, department or agency of the City.

Expenditures may not exceed appropriations at the department category level, as established by policy of the City Council. The legal level of control is at the department category level.

N. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three defined benefit pension plans (the "Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the individual Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported for the City's in the government-wide and enterprise fund financial statement of net position. One portion of this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

- Deferred loss on refunding reported in the statement of net position – this deferred outflow results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category:

- Deferred gain on refunding reported in the statement of net position – this deferred inflow results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – This deferred inflow results from the differences between expected and actual actuarial experiences and changes in actuarial assumptions will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Q. New Accounting Standards

In the current fiscal year, the City implemented the following new standards:

- GASB Statement 68, Accounting and Financial Reporting for Pensions (“GASB 68”) establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.
- GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (“GASB 71”) amends the transition provisions of GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

Note 2 - Deposits (Cash) and Investments

Credit Risk. The primary stated objective of the City of Galveston's adopted Investment Policy (the Investment Policy) is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy is represented only in time and demand deposits, repurchase agreements, commercial paper, municipal obligations, and non-rated U.S. Securities and Exchange Commission (SEC) registered money market mutual funds.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies or instrumentalities. State law and the Investment Policy restricts both time and demand deposits, including certificates of deposit, to those banks doing business in the State of Texas and further requires full insurance and/or collateral from these depositories.

Certificates of deposit are limited to a stated maturity of one year. Collateral, with a 102% margin, is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities and municipal obligations rated no less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank.

By policy and state law, repurchase agreements are limited to those with defined termination dates executed with a Texas bank or a primary dealer, as defined by the Federal Reserve. The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The Investment Policy restricts investment in SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value as further defined by state law. Neither state law nor the Policy requires a rating.

The City invests in TexPool, which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791 and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of the State Comptroller and other members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

The City also invests in Texas Daily and Texas Term Certificate of Deposit Purchase Program which are individual investment portfolios established by the TexTerm Advisory Board pursuant to the TexTerm Common Investment Contract that established the Pool. Texas Daily and Texas Term Certificate of Deposit Purchase Program are local government investment portfolios that allow governments to pool their funds for investment under the provisions of the Inter Local Cooperation Act, Chapter 791 of the Texas Government Code, the PFIA and other similar cooperative statutes and under the statutes governing investment of funds by those local governments. TexTerm is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The City's investment in these pools are the same as the value of the pool shares, which are valued based on quoted market rates.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City Policy further restricts investments to AAA-rated, "2a-71like" (constant dollar) local government investment pools.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

As of September 30, 2015,

- Investments in AAA-rated local government investment pools represented 75.74% of the total portfolio, and
- Holdings in US Government securities rated AAA represented 24.26% of the total portfolio.

The City of Galveston recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program. The Policy has established limits for concentration by market sector as shown below:

	<u>Book Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>
Investment Type:			
Local Government Investment Pools:			
TexPool	6,996,380	A-1+	7.42%
Texas Term	64,403,878	AAAf	68.32%
Total Local Government Investment Pools	<u>71,400,258</u>		<u>75.74%</u>
Investment Securities:			
Federal Home Loan Mortgage Corp.	6,250,000	AA+ to AAA	6.63%
Federal Home Loan Bank	3,250,000	AA+ to AAA	3.45%
US Treasury Securities	13,365,000	AAA	14.18%
Total Investment Securities	<u>22,865,000</u>		<u>24.26%</u>
	<u>\$ 94,265,258</u>		<u>100.00%</u>

Interest Rate Risk. In order to limit interest and market rate risk from changes in interest rates, the City's adopted investment policy establishes a maximum maturity of 36 months for operating funds and two years for reserve funds.

A segmented time distribution analysis of the portfolio by market sector is shown below.

<u>Investment Type</u>	<u>Investment Maturities in Years Less than 1 year</u>	<u>Investment Maturities in Years 1 - 5 years</u>
U.S. Treasury Notes and Bills	-	13,365,000
U.S. Agency Securities:		
Federal Home Loan Mortgage Corp.	-	6,250,000
Federal Home Loan Bank	-	3,250,000
2A-7 like Local Government Pools	21,294,324	50,105,934
Total	<u>\$ 21,294,324</u>	<u>\$ 72,970,934</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

As of September 30, 2015, the portfolio contained U.S. Treasury and Agency securities as shown below.

<u>Security</u>	<u>Cusip</u>	<u>Date</u>	<u>Date</u>	<u>Par</u>	<u>Value</u>
Discretely callable securities:					
US Treasury	912828RX0	6/11/2014	12/31/2016	\$ 2,000,000	\$ 2,009,219
US Treasury	912828TM2	2/25/2015	8/31/2017	1,365,000	1,357,908
US Treasury	912828UJ7	2/25/2015	1/31/2018	1,500,000	1,495,957
US Treasury	912828UJ7	2/25/2015	1/31/2018	1,000,000	997,305
US Treasury	912828UZ1	7/13/2015	4/30/2018	2,000,000	1,979,688
US Treasury	912828WH9	5/22/2014	5/15/2017	1,000,000	1,002,656
US Treasury	912828WH9	5/22/2014	5/15/2017	2,000,000	2,005,313
US Treasury	912828WH9	6/11/2014	5/15/2017	1,500,000	1,499,941
US Treasury	912828WM8	6/11/2014	5/31/2016	1,000,000	999,023
FHLB	3130A3J70	5/25/2015	11/23/2016	1,250,000	1,250,725
FHLB	313379DD8	7/13/2015	6/21/2017	2,000,000	2,009,860
FHLMC	3137EACT4	5/22/2014	5/27/2016	2,000,000	2,084,080
FHLMC	3137EACT4	5/22/2014	5/27/2016	1,000,000	1,042,040
FHLMC	3137EADH9	7/13/2015	6/29/2017	2,000,000	2,009,920
FHLMC	3137EADS5	2/25/2015	10/14/2016	1,250,000	1,256,413
				<u>\$ 22,865,000</u>	<u>\$ 23,000,047</u>

Custodial Credit Risk. To control custody and safekeeping risk, the City's investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held in the City's name by an independent party. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA (U.S. Financial Institutions Reform, Recovery and Enforcement Act of 1989). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Portfolio disclosure as of September 30, 2015:

- All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

	<u>Book Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities:			
Investments:			
Local Government Investment Pools:			
TexPool	\$ 6,996,380	7%	40
Texas Term	<u>64,403,878</u>	<u>68%</u>	233
Total Local Government Investment Pools	<u>71,400,258</u>	<u>76%</u>	
Investment Securities:			
Federal Home Loan Mortgage Corp.	6,250,000	7%	402
Federal Home Loan Bank	3,250,000	3%	551
US Treasury Securities	<u>13,365,000</u>	<u>14%</u>	657
Total Investment Securities	<u>22,865,000</u>	<u>24%</u>	
Total Governmental Activities	<u>\$ 94,265,258</u>	<u>100%</u>	<u>301</u>

Note 3 – Property Tax

The City may levy taxes up to \$2.50 per \$100 of net appraised assessed value under state law; however, by amendment to the City Charter resulting from an election held January 20, 1979, the following limit on taxes was placed in effect:

A maximum tax rate of \$0.70 cents per \$100 of assessed valuation, less debt service and Rosenberg Library for general operating expenses, before any adjustments for sales tax (See Note 4).

In conjunction with limits placed on taxes, the annual increase in total budgeted expenditures for all purposes was limited to 7.0% over the prior year's total budgeted expenditures.

Within these guidelines, the adopted tax rate per \$100 of assessed valuation, for the year ended September 30, 2015, was \$0.53389. The tax rate to finance general governmental services was set at \$0.486584 and the tax rate for all other purposes, including debt service, was set at \$0.047306 per \$100 of assessed valuation.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 – Sales Tax

The City's sales tax rate is 2.0% for the year ended September 30, 2015. A City Charter amendment was passed by the voters on January 21, 1989, whereby the City is required to offset ad valorem taxes each year by an amount equal to 25.0% of the 2.0% sales tax collected in the prior year. This offset was calculated using a calendar year formula provided by the State of Texas, resulting in ad valorem taxes offset by actual sales tax revenue of \$4.6 million in fiscal year 2015. The total maximum allowable tax rate of \$0.70 was thus limited to \$0.597 for the current fiscal year. It is the City Attorney's opinion that this amendment does not create a new tax cap and it would not restrict the City's ability to meet bond obligations.

Of the sales tax collections, 75.0% is allocated to the General Fund and 25.0% to the IDC fund. On November 4, 2008, the voters extended the offset amount for the IDC fund for 20 years, to expire on April 1, 2029. Effective through March 31, 2029, the IDC fund collections are allocated as follows: 25.0% for beach re-nourishment, 25.0% for streets, sewer and drainage improvement projects, 25.0% for economic development, and 25.0% delegated to park improvements.

Note 5 – Accounts Receivable

Receivables, as of September 30, 2015, for the City's individual major and non-major funds and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

GOVERNMENTAL FUNDS

	General Fund	Hurricane Ike	CDBG Disaster Fund Non- Housing	Non -Major Governmental Funds	Total
Receivables:					
Property taxes	\$1,951,952	\$ -	\$ -	258,498	\$ 2,210,450
Sales and use taxes	2,674,363	-	-	891,456	3,565,819
Franchise taxes	704,224	-	-	-	704,224
Hotel taxes	-	-	-	1,909,876	1,909,876
Court fines	3,118,124	-	-	-	3,118,124
Customer accounts	384,317	-	-	1,220,935	1,605,252
Intergovernmental	39,266	13,252,848	11,057,051	5,899,112	30,248,277
Other	657,008	-	-	103,455	760,463
Allowance for uncollectibles	(3,122,407)	-	-	(104,032)	(3,226,439)
Total	\$6,406,847	\$ 13,252,848	\$ 11,057,051	\$ 10,179,300	\$ 40,896,046

BUSINESS TYPE ACTIVITIES

	Water	Sewer	Non-Major Enterprise Funds	Internal Service Funds	Total
Receivables:					
Customer accounts	\$3,903,955	\$ 5,097,915	\$ 5,223,974	\$ -	\$ 14,225,844
Other	-	-	-	127,385	127,385
Allowance for uncollectibles	(520,751)	(1,979,235)	(1,369,693)	-	(3,869,679)
Total	\$3,383,204	\$ 3,118,680	\$ 3,854,281	\$ 127,385	\$ 10,483,550

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 – Interfund Transfers and Receivables

Interfund transfers for the primary government are as follows for the year ended September 30, 2015:

	Transfer In Fund						Totals
	General Fund	Non-Major Governmental Funds	Waterworks System	Sewer System	Non-Major Enterprise Funds	Internal Service Funds	
Transfer Out Fund							
General Fund	\$ -	\$ 1,461,619	\$ -	\$ -	\$ -	\$526,000	\$ 1,987,619
Hurricane Ike Fund	132,234	632,884	1,206,951	1,649,266	1,125,123	-	4,746,458
CDBG Disaster Fund Non-Housing		-		15,698,641	-	-	15,698,641
Non-Major Governmental Funds	40,161	3,799,331	34,033	30,635	-	-	3,904,160
Waterworks System	200,000	-	-	2,420,455	19,929	25,238	2,665,622
Sewer System	200,000	-	1,833,521	-	366,020	49,000	2,448,541
Non-Major Enterprise Funds	200,000	-	420,756	-	526	119,400	740,682
	<u>\$ 772,395</u>	<u>\$ 5,893,834</u>	<u>\$ 3,495,261</u>	<u>\$ 19,798,997</u>	<u>\$ 1,511,598</u>	<u>\$719,638</u>	<u>\$32,191,723</u>

The following is a detail of the interfund transfers:

Transfer from	Transfer to	Purpose
General Fund	Non-major Governmental Funds	To transfer for neighborhood improvement projects
General Fund	Hurricane Ike Fund	To transfer for local project share
General Fund	Internal Service Fund	To transfer for cost of separation pay
General Fund	Infrastructure Fund	To set aside for cash and bond funded capital projects
Non-major Govt. Fund	General Fund	To transfer for hotel tax
Non-major Govt. Fund	Hurricane Ike Fund	To transfer for local project share
Non-major Govt. Fund	Non-major Governmental Funds	To transfer for hotel tax
Waterworks System	General Fund	To transfer payment in lieu of taxes
Waterworks System	Hurricane Ike Fund	To transfer for local project share
Waterworks System	Non-major Governmental Funds	To transfer for debt service payments
Waterworks System	Internal Service Funds	To transfer the cost of separation pay
Sewer System	General Fund	To transfer payment in lieu of taxes
Sewer System	Hurricane Ike Fund	To transfer for local project share
Sewer System	CDBG Disaster Fund Non-Housing	To transfer for local project share
Sewer System	Non-major Governmental Funds	To transfer for debt service payments
Sewer System	Internal Service Fund	To transfer the cost of separation pay
Non-major Enterprise Funds	Hurricane Ike Fund	To transfer for local project share
Non-major Enterprise Funds	Internal Service Fund	To transfer the cost of separation pay

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 – Interfund Transfers and Receivables (continued)

The following is a detail of interfund receivables and payables for the primary government as of September 30, 2015:

	Receivable Funds: Due From				Totals
	CDBG Disaster Fund Non- Housing	Non-Major Governmental Funds	Sewer System	Non-Major Enterprise Funds	
Payable Funds: Due To					
General Fund	\$ 4,491,519	\$ 2,861,258	\$ -	\$ -	\$ 7,352,777
Water Fund	-	-	27,443	-	27,443
Sewer System	-	-	-	-	-
Non-Major Enterprise Funds	-	-	1,806	91,499	93,305
	<u>\$ 4,491,519</u>	<u>\$ 2,861,258</u>	<u>\$ 29,249</u>	<u>\$ 91,499</u>	<u>\$ 120,748</u>

The following is a detail of interfund receivables and payables:

Due to	Due from	Purpose
General Fund	Hurricane Ike Fund	To adjust local share overpayment
Non-major Governmental Funds	Hurricane Ike Fund	To adjust local share overpayment
Non-major Governmental Funds	General Fund	Reclassification of deficit cash
Non-major Governmental Funds	Waterworks Fund	To fund land swap
Waterworks Fund	Hurricane Ike Fund	To adjust local share overpayment
Waterworks Fund	Sewer Fund	To fund capital projects
Sewer Fund	Hurricane Ike Fund	To adjust local share overpayment
Non-major Enterprise Funds	Hurricane Ike Fund	To adjust local share overpayment
Non-major Enterprise Funds	Sewer Fund	To fund capital projects
Non-major Enterprise Funds	Non-major Enterprise Funds	To fund capital projects
Internal Service Funds	Hurricane Ike Fund	To adjust local share overpayment

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Capital Assets

The following is a detail of capital asset activity for the year ended September 30, 2015:

	Balance September 30, 2014	Increases	Decreases / Transfers	Balance September 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 20,013,022	\$ -	\$ -	\$ 20,013,022
Construction in progress	16,714,243	12,985,188	(8,984,089)	20,715,342
Total capital assets not being depreciated	36,727,265	12,985,188	(8,984,089)	40,728,364
Other capital assets:				
Infrastructure	133,258,262	183,191	-	133,441,453
Buildings and improvements	48,923,327	6,308,980	(67,522)	55,164,785
Licensed vehicles	20,338,332	2,204,272	(381,822)	22,160,782
Machinery and equipment	15,039,564	1,293,913	(518,933)	15,814,544
Improvements other than buildings	6,158,776	2,809,494	-	8,968,270
Total other capital assets	223,718,261	12,799,850	(968,277)	235,549,834
Less accumulated depreciation for:				
Infrastructure	(72,644,554)	(3,798,981)	-	(76,443,535)
Buildings and improvements	(12,231,092)	(1,655,165)	67,522	(13,818,735)
Licensed vehicles	(10,844,821)	(2,346,963)	381,822	(12,809,962)
Machinery and equipment	(10,513,094)	(1,281,852)	516,132	(11,278,814)
Improvements other than buildings	(4,569,209)	(219,078)	-	(4,788,287)
Total accumulated depreciation	(110,802,770)	(9,302,039)	965,476	(119,139,333)
Other capital assets, net	112,915,491	3,497,811	(2,801)	116,410,501
Totals	\$ 149,642,756	\$ 16,482,999	\$ (8,986,890)	\$ 157,138,865
	Balance September 30, 2014	Increases	Decreases / Transfers	Balance September 30, 2015
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,489,331	\$ -	\$ -	\$ 2,489,331
Construction in progress	89,954,495	25,927,958	(10,630,267)	105,252,186
Total capital assets not being depreciated	92,443,826	25,927,958	(10,630,267)	107,741,517
Other capital assets:				
Improvements other than buildings	150,514,059	9,546,961	-	160,061,020
Building and system	66,776,381	604,319	-	67,380,700
Machinery and equipment	22,065,554	1,716,182	(1,165,899)	22,615,837
Contractual water rights	32,436,301	-	-	32,436,301
Total other capital assets	271,792,295	11,867,462	(1,165,899)	282,493,858
Less accumulated depreciation for:				
Improvements other than buildings	(56,204,650)	(3,981,688)	-	(60,186,338)
Building and system	(22,663,540)	(1,509,234)	-	(24,172,774)
Machinery and equipment	(15,024,647)	(1,349,707)	1,008,074	(15,366,280)
Contractual water rights	(16,596,148)	(1,968,954)	-	(18,565,102)
Total accumulated depreciation	(110,488,985)	(8,809,583)	1,008,074	(118,290,494)
Other capital assets, net	161,303,310	3,057,879	(157,825)	164,203,364
Totals	\$ 253,747,136	\$ 28,985,837	\$ (10,788,092)	\$ 271,944,881

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 – Capital Assets (continued)

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

General government	\$	118,696
Public safety		2,007,796
Public works		2,932,500
Community and recreation		2,056,950
Planning and community development		145,488
Transportation system		1,671,720
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets		<u>368,889</u>
Total Governmental Activities	\$	<u>9,302,039</u>
Waterworks	\$	4,471,718
Sewer System		2,595,713
Sanitation		391,041
Drainage		465,712
Airport		<u>885,399</u>
Total Business-Type Activities	\$	<u>8,809,583</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 – Capital Assets (continued)

Construction in progress and remaining commitment, as of September 30, 2015, were as follows:

Project Description	Project Authorization	Project Cost to Date	Remaining Commitment
Governmental Activities:			
Roadway Reconstruction Design	\$ 829,355	\$ 522,375	\$ 306,980
Various Other Projects	27,721,711	15,581,781	12,139,930
Seawall Project	8,035,999	1,114,676	6,921,323
IDC Projects	6,848,382	2,448,208	4,400,174
Bermuda Beach Drive	757,639	251,720	505,919
New Freedom Grant Project	378,073	179,220	198,853
Trolley	776,549	617,362	159,187
Total Governmental Activities	45,347,708	20,715,342	24,632,365
Business-type Activities:			
Waterworks System Fund Projects			
Fire Hydrant Replacement Program	2,961,007	2,761,494	199,513
Water Well Rehab #6a, 10, 13	677,314	201,219	476,095
HMPG - 59th Street Pump Station	17,810,360	1,221,460	16,588,900
Various Water Projects	2,064,023	1,459,954	604,069
Sewer System Fund Projects			
Construction of Main Waste Water Treatment Plant	88,478,187	77,461,401	11,016,786
Sanitation Sewer Lift Station I	2,639,209	2,623,343	15,866
Design of Near West End Unserved Areas	649,598	649,598	-
Repair of Various Lift Stations	7,411,704	7,355,292	56,412
Inflow & Infiltration Line Repairs	2,897,758	2,232,497	665,261
Various Sewer Projects	2,900,741	2,634,927	265,814
Sanitation Fund Projects			
Repair of Sanitation Barn	39,832	39,832	-
Drainage Fund Projects			
Engineering Report for the Area from English Bayou to 34th Street Drainage Master Plan	847,027	768,352	78,675
Harborside Drive Outfall	303,458	197,410	106,048
Various Drainage Projects	1,407,002	1,279,049	127,953
Airport Fund Projects			
Design of North and South Hangar Access Taxiways	845,702	667,227	178,475
Reconstruction of Tarmac	1,344,319	1,227,373	116,946
Various Airport Projects	2,776,004	2,471,757	304,247
Total Business-type Activities	136,053,245	105,252,186	30,801,060
Totals	\$181,400,953	\$ 125,967,528	\$ 55,433,425

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt

A. Governmental Activities

Long-term liability activity for the year ended September 30, 2015, is as follows:

	Balance September 30, 2014	Increases	(Decreases)	Balance September 30, 2015	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 16,471,926	\$ 5,900,000	\$ (7,751,926)	\$ 14,620,000	\$ 1,730,000
Accretion on capital interest bonds	2,477,761	255,044	(445,880)	2,286,925	-
Special obligation bonds	25,960,000	-	(760,000)	25,200,000	810,000
Certificates of obligation	16,900,172	-	(2,746,700)	14,153,472	2,826,200
Deferred bond issuance discount/premium	1,777,497	832,890	(401,632)	2,208,755	-
	<u>63,587,356</u>	<u>6,987,934</u>	<u>(12,106,138)</u>	<u>58,469,152</u>	<u>5,366,200</u>
Other liabilities:					
Other Post-Employment Benefit					
Obligation (OPEB)	3,080,617	269,797	-	3,350,414	-
Capital leases	882,178	-	(882,178)	-	-
Notes payable	936,533	-	(100,952)	835,581	105,182
Claims payable - workers comp	771,036	506,838	(496,985)	780,889	226,568
Claims payable - health insurance	486,838	3,527,457	(3,573,672)	440,623	440,623
Compensated absences	8,214,143	729,342	(191,143)	8,752,342	369,700
	<u>8,214,143</u>	<u>729,342</u>	<u>(191,143)</u>	<u>8,752,342</u>	<u>369,700</u>
Total Governmental Activities	<u>\$ 77,958,701</u>	<u>\$ 12,021,368</u>	<u>\$ (17,351,068)</u>	<u>\$ 72,629,001</u>	<u>\$ 6,508,273</u>

Compensated absences, other post-employment benefits and pension obligations are liquidated by the funds based on the department personnel to whom the claims relate. In prior years, this has typically been the General Fund. Health claims and workers' compensation claims are liquidated by the Health Insurance Internal Service Fund and the Workers' Compensation Internal Service Fund which are reported as a governmental activity.

The City sponsors three (3) single-employer defined benefit pension plans: the Employees Retirement Plan for Police, the Retirement Plan for City Employees and the Firefighters' Pension Plan. The City recognizes annual pension cost equal to the annual required contribution, net of employee contributions.

If actual City funding is less than (or greater than) the annual pension cost, the City recognizes a liability (or asset) on its balance sheet referred to as the net pension obligation. The liability is calculated as the sum of three components:

- Cumulative difference between net employer annual pension cost and actual contributions.
- Interest on the net pension obligation at the rate assumed for the actuarial valuation.
- Adjustment for amortization of any funding shortfall already included in the annual required contribution.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Governmental Activities (continued)

The following are descriptions of the governmental activities long-term obligations:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Series 2005 Obligation and Refunding Bonds	9,462,818	2023	3.8 to 4.1	\$ 1,580,000
Series 2011 Obligation Refunding Bonds	7,520,000	2023	2.0 to 4.0	7,370,000
Series 2014 Obligation Refunding Bonds	5,900,000	2023	2.0 to 4.0	5,670,000
Total General Obligation Bonds				<u>\$ 14,620,000</u>
Special Obligation Bonds				
Series 2012A Hotel Occupancy Tax Refunding Bonds	\$ 14,350,000	2034	3.0 to 5.0	\$ 13,210,000
Series 2012B Hotel Occupancy Tax Refunding Bonds	13,215,000	2032	3.0 to 5.0	11,990,000
Total Special Obligation Bonds				<u>\$ 25,200,000</u>
Certificates of Obligation				
Series 2004 Wharves and Terminal Revenue Bonds	\$ 19,323,672	2020	4.3 to 5.2	\$ 2,873,673
Series 2008 Combination Tax and Revenue Certificates of Obligation Bonds	3,581,000	2033	4.3 to 5.3	2,899,800
Series 2013A Combination Tax and Revenue Refunding Bonds	11,420,000	2018	2.0 to 4.0	6,200,000
Series 2013B Combination Tax and Revenue Refunding Bonds	2,180,000	2018	3.0	2,180,000
Total Certificates of Obligation				<u>\$ 14,153,473</u>
Notes Payable				
2007 Note Payable	\$ 1,531,488	2024	3.5-4.0	\$ 835,581
Total Notes Payable				<u>\$ 835,581</u>

Annual debt service requirements to maturity for governmental activity bonds are as follows:

Year Ending Sept. 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,730,000	\$ 594,858	\$ 810,000	\$ 935,012
2017	1,780,000	541,908	865,000	902,612
2018	1,845,000	480,695	920,000	868,012
2019	1,930,000	407,215	980,000	831,212
2020	1,775,000	323,021	1,045,000	792,012
2021 - 2025	5,560,000	529,286	6,340,000	3,228,862
2026 - 2030	-	-	8,285,000	1,960,088
2031 - 2035	-	-	5,955,000	486,682
	<u>\$ 14,620,000</u>	<u>\$ 2,876,983</u>	<u>\$ 25,200,000</u>	<u>\$ 10,004,492</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Governmental Activities (continued)

Year Ending	Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest
Sept. 30				
2016	\$ 2,826,200	\$ 389,976	\$ 105,182	\$ 33,579
2017	2,930,700	288,262	109,588	29,171
2018	2,955,200	181,257	114,182	24,578
2019	1,602,751	1,807,410	118,968	19,793
2020	1,516,621	1,893,855	123,953	14,807
2021 - 2025	722,700	529,314	263,708	13,813
2026 - 2030	921,600	329,172	-	-
2031 - 2035	677,700	73,076	-	-
	<u>\$ 14,153,472</u>	<u>\$ 5,492,322</u>	<u>\$ 835,581</u>	<u>\$ 135,741</u>

Current Year Refunding of Debt – Governmental Activities

On October 7, 2014, the City issued General Obligation Refunding Bonds, Series 2014 in the amount of \$5,900,000. The interest rate ranges from 2.0%-5.0%. The bonds were issued at a premium totaling \$832,890. The proceeds of the bonds were used to refund a portion of the City’s outstanding bonds and pay costs of issuance related to the bonds. A portion of the proceeds were deposited with the escrow agent to pay off the outstanding bonds. As a result \$4,105,000 of the General Obligation and Refunding Bonds 2005 are considered defeased and were called on 5/1/2015, \$1,625,000 of the Unlimited Tax Waterworks and Sewer System and Refunding Series 2005 are considered defeased and were called on 11/13/2014, and \$745,000 of the Waterworks and Sewer System Unlimited Tax Bonds Series 2007 are considered defeased and were called on 3/1/2015. The purpose of the bonds was to lower the City’s debt service payments. Sale of the bonds resulted in an economic gain of \$416,866.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Business Type Activities

Long-term liability activity for the year ended September 30, 2015, is as follows:

	Balance September 30, 2014	Increases	(Decreases)	Balance September 30, 2015	Amounts Due Within One Year
Bonds payable:					
Contracts (Gulf Coast Water Authority)	\$ 24,209,332	\$ -	\$ (2,770,702)	\$ 21,438,630	\$ 2,873,213
Revenue bonds - water fund	14,298,223	10,212,800	(12,357,802)	12,153,221	850,558
Revenue bonds - sewer fund	19,226,777	9,427,200	(11,997,198)	16,656,779	1,404,442
Certificates of obligation	13,673,500	-	(463,300)	13,210,200	483,800
Deferred bond issuance discount/premium	686,949	2,940,232	(165,177)	3,462,004	-
	<u>72,094,781</u>	<u>22,580,232</u>	<u>(27,754,179)</u>	<u>66,920,834</u>	<u>5,612,013</u>
Other liabilities:					
Notes payable	1,923,497	-	(1,149,698)	773,799	773,790
Compensated absences	1,239,395	11,929	(6,111)	1,245,213	116,280
Total Business-type Activities	<u>\$ 75,257,673</u>	<u>\$ 22,592,161</u>	<u>\$ (28,909,988)</u>	<u>\$ 68,939,846</u>	<u>\$ 6,502,083</u>

The following are descriptions of the business type activities long-term obligations:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Contracts (Gulf Coast Water Authority)				
Series 2006 GCWA Chocolate Bayou Contract Note Payable	\$ 6,970,000	2017	4.0	\$ 868,654
Series 2011A GCWA Contract Refunding Revenue Bonds	17,730,000	2022	3.0 to 5.0	13,529,976
Series 2011E GCWA Water System Contract Revenue Refunding Bonds	4,320,000	2017	2.5 to 5.0	1,550,000
Series 2012 GCWA Contract Refunding Revenue Bonds	7,645,000	2022	2.3	5,490,000
Total Contracts (Gulf Coast Water Authority)				<u>\$ 21,438,630</u>
Revenue Bonds				
Series 2006 Waterworks and Sewer System Revenue and Refunding Bonds	\$ 38,310,000	2030	3.6 to 4.7	\$ 3,730,000
Series 2012 Waterworks and Sewer System Revenue and Refunding Bonds	6,180,000	2023	2.0 to 3.0	5,440,000
Series 2014 Waterworks and Sewer System Revenue and Refunding Bonds	19,640,000	2025	3.0 to 5.0	19,640,000
Total Contracts (Gulf Coast Water Authority)				<u>\$ 28,810,000</u>
Certificates of Obligation				
Series 2008 Combination Tax and Revenue Certificates of Obligation Bonds	\$ 16,313,900	2033	4.3 to 5.3	\$ 13,210,200
Total Certificates of Obligation				<u>\$ 13,210,200</u>
Notes Payable				
Line of Credit Extended to Water and Sewer Funds	\$ 9,962,462	2016	3.0	\$ 773,799
Total Notes Payable				<u>\$ 773,799</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Business Type Activities (continued)

Annual debt service requirements to maturity for business type activity long term debt are as follows:

Year Ending Sept. 30	Business-Type Activities			
	Revenue Bonds		Contracts	
	Principal	Interest	Principal	Interest
2016	\$ 2,255,000	\$ 1,229,760	\$ 2,873,213	\$ 775,800
2017	2,320,000	1,162,445	3,920,807	685,182
2018	2,400,000	1,082,345	2,718,278	586,267
2019	2,490,000	998,500	2,806,890	490,857
2020	2,585,000	901,700	2,924,948	371,943
2021 - 2025	8,590,000	3,165,850	6,194,494	399,803
2026 - 2030	8,170,000	1,264,750	-	-
2031 - 2035	-	-	-	-
	<u>\$ 28,810,000</u>	<u>\$ 9,805,350</u>	<u>\$ 21,438,630</u>	<u>\$ 3,309,852</u>

Year Ending Sept. 30	Business-Type Activities			
	Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 483,800	\$ 658,622	\$ 773,799	\$ 10,806
2017	504,300	638,060	-	-
2018	524,800	616,628	-	-
2019	545,300	594,324	-	-
2020	574,000	567,059	-	-
2021 - 2025	3,292,300	2,411,318	-	-
2026 - 2030	4,198,400	1,499,560	-	-
2031 - 2035	3,087,300	332,904	-	-
	<u>\$ 13,210,200</u>	<u>\$ 7,318,475</u>	<u>\$ 773,799</u>	<u>\$ 10,806</u>

The revenue of the combined water and sewer funds are pledged for repayment of revenue bonds noted above.

Previous Years Refunding of Debt

In previous years, the City defeased certain outstanding bonds issued by placing the proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. The total amount of governmental and business-type defeased bonds outstanding as of September 30, 2015 is \$76,059,799.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Current Year Refunding of Debt – Business Type Activities

On October 7, 2014, the City issued Waterworks and Sewer System Revenue Refunding Bonds, Series 2014 in the amount of \$19,640,000. The interest rate ranges from 3.0%-5.0%. The bonds were issued at a premium totaling \$3,183,435. The proceeds of the bonds were used to refund a portion of the City's outstanding bonds and pay costs of issuance related to the bonds. A portion of the proceeds were deposited with the escrow agent to pay off the outstanding bonds. As a result \$22,045,000 of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2006 are considered defeased and were called on 5/1/2015, \$1,625,000 of the Unlimited Tax Waterworks and Sewer System and Refunding Series 2005 are considered defeased and were called on 11/13/2014, and \$745,000 of the Waterworks and Sewer System Unlimited Tax Bonds Series 2007 are considered defeased and were called on 3/1/2015. The purpose of the bonds was to lower the City's debt service payments. Sale of the bonds resulted in an economic gain of \$1,781,125.

Long-Term Contracts - Waterworks System

On November 16, 2006, the City entered into a contract with Gulf Coast Water Authority (GCWA) whereby GCWA issued \$6,970,000 of Gulf Coast Water Authority Contract Note Payable with Bank of America to be used to obtain water rights from the Brazos River and execute a purchase agreement with Chocolate Bayou Water Company. The note is for 10 years and will be repaid with revenues from the City's Waterworks Fund.

On July 15, 2011, the City entered into a contract with GCWA whereby GCWA issued \$4,320,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2011 E to be used to repay all of its GCWA Contract Revenue Bonds Series 1997 and to pay costs of issuance of the Bonds. The Series 1997 Bonds were used to build a new two mile pipeline to transport water across Galveston Bay to the City, to repair an 80 year old pipeline already being used for that purpose, and to build a pipeline between Galveston Island and Pelican Island. The Bonds will be repaid with pledged revenues from the City's Waterworks funds.

On June 1, 2011, the City entered into a contract with GCWA whereby GCWA issued \$17,730,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2011A with the City's percentage share of 98.15% and League City's share being the remainder 1.85%. This will repay its outstanding Series 1998B and to pay the cost of issuance of the bonds. These Bonds allowed Galveston to receive treated water from the Texas City plant upon completion of its expansion. The Bonds will be repaid with pledged revenues from the City's Waterworks funds.

On October 30, 2013, the City entered into a contract with GCWA whereby GCWA issued \$7,645,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2012. This will repay its outstanding Series 2002 and to pay the cost of issuance of the bonds. These Bonds are used to build and improve facilities for potable water transportation to and within the City. The bonds will be repaid with pledged revenues from the City's Waterworks Fund.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Long-Term Debt (continued)

Discretely Presented Component Unit – Bayside at Waterman’s Public Improvement District

Long-term liability activity for the year ended September 30, 2015, is as follows:

	Balance September 30, 2014	Increases	(Decreases)	Balance September 30, 2015	Amounts Due Within One Year
Bayside at Waterman's PID					
Special assessment revenue bonds	\$ -	\$ 9,600,000	\$ -	\$ 9,600,000	\$ -
	<u>\$ -</u>	<u>\$ 9,600,000</u>	<u>\$ -</u>	<u>\$ 9,600,000</u>	<u>\$ -</u>

The following are descriptions of the business type activities long-term obligations:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Bayside at Waterman's PID Bonds				
Series 2014 Special Assessment Revenue Bonds	9,600,000	2044	5.8 to 6.3	\$ 9,600,000
Total Bayside at Waterman's PID Bonds				<u>\$ 9,600,000</u>

Annual debt service requirements to maturity for Bayside at Waterman’s Public Improvement District long term debt are as follows:

Year Ending Sept. 30	Bayside at Waterman's PID Revenue Bonds	
	Principal	Interest
2016	\$ -	\$ 571,375
2017	150,000	571,375
2018	150,000	562,938
2019	150,000	554,500
2020	175,000	546,063
2021 - 2025	1,025,000	2,572,813
2026 - 2030	1,325,000	2,252,563
2031 - 2035	1,775,000	1,808,375
2036 - 2040	2,375,000	1,206,250
2041 - 2045	2,475,000	388,938
	<u>\$ 9,600,000</u>	<u>\$ 11,035,190</u>

All of the special assessment revenue received by the District is obligated to pay for the special assessment revenue bonds noted above.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Fund Equity

	<u>Deficit Balance</u>
Non-major governmental Funds:	
Special Revenue funds:	
Grants and government contracts	\$ (16,922)

Deficit fund balances reported for Government Contracts and Grants are the result of timing differences between the cognizant agency annual federal appropriation and local grantee qualifying outlays. Deficits in both of these funds are considered temporary and expected to be relieved during the next fiscal year.

Note 10 - Commitments and Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the City expects that any such amounts will be immaterial.

Litigation

The City is a defendant in various lawsuits and tort claims involving general liability, auto liability, civil rights actions, contractual and other matters. In management's estimation, insurance coverage is adequate to provide for potential losses. While insurance coverage will be adequate to provide for some potential losses, it is possible some litigation will not fall under insurance coverage. It is the opinion of City management that the outcome of any other pending litigation will not have a material effect on the City's financial position or operation.

Environmental Liability

The City is aware of various sites contaminated by hazardous materials. There are no significant liabilities related to these sites of which the City is aware. The City also participates in the Texas Natural Resources Underground Storage Tank registration program and has each site insured for pollution liability.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has commercial insurance policies for liability and property insurance. The major insurance policies, including law enforcement and public official policies, have deductibles of \$5,000 per occurrence.

The City purchases automobile and law enforcement liability insurance from the Texas Municipal League (TML) Intergovernmental Risk Pool, a self-insurance fund using members contributions to pay covered losses. Participation in the pool is affirmed when a City signs an inter-local agreement. There is no requirement for a municipality to invest funds into the risk pool other than by set insurance premiums for actual policies issued by TML.

There have been no significant reductions in insurance coverage from prior years. There have been no insurance settlements exceeding insurance coverage in the past five years.

The Casualty and Liability Internal Service Fund is used to account for the accumulation of assets charged to other funds of the City for insurance premiums and all other liabilities.

Workers Compensation

The City is self-insured for workers compensation. The third party administrator for the City is TML, with a per coverage retention of \$500,000. TML also provides the stop loss reinsurance for excess claims with an annual aggregate retention of \$1,000,000 and aggregate limit of liability of \$1,000,000.

All funds of the City participate in the program and make payments to the Workers Compensation Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability is reported in the fund at September 30, 2015, and is based on requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The City's long-term worker's compensation liability is recorded in the government-wide statement of net position. Current liability amounts are recorded in all funds having incurred charges. The estimates of liability are based on current claims outstanding and the estimate of reserves based on industry experience.

Changes in the City's workers compensation claims liability reserve amount for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Current Year Payments</u>	<u>End of Year Accrual</u>
2014	\$ 819,369	\$ 509,388	\$ (557,721)	\$ 771,036
2015	\$ 771,036	\$ 348,761	\$ (338,908)	\$ 780,889

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Risk Management (continued)

Employee Health Insurance

Effective November 1, 2001, the City established a limited Risk Management Program for Health Insurance by setting up an Internal Service Fund to account for its insured and self-insured risk of loss. The Internal Service Insurance Fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the employees, and the employees are required to make contributions to cover their dependents. The Internal Service Fund charges the various funds premiums for the City's contribution. The City has obtained excess loss insurance that limits the City's claims paid to \$170,000 per individual and \$4,879,000 in aggregate claims on an annual basis from American National Insurance Co.

Incurred but not reported (IBNR) claims as of year-end are estimated by the third party administrator based on prior claims experience. Changes in the City's IBNR health claims liability, for the past two fiscal years, are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Current Year Payments</u>	<u>End of Year Accrual</u>
2014	\$ 380,796	\$ 3,627,457	\$ (3,521,415)	\$ 486,838
2015	\$ 486,838	\$ 3,278,863	\$ (3,325,078)	\$ 440,623

Note 12 – Major Contracts and Commitments

As of year-end, the City has the following major contracts and commitments in force. The following is a summary of these commitments:

Emergency Medical Services Contract

Through agreement with the Galveston County Health District (the District), the District provides emergency medical services including trained personnel for treatment and dispatching, transport of victims to hospitals, ambulances and supplies, public education regarding medical emergencies, and management and system evaluation. Operation and management is under control of the District. The City is responsible for operating deficits of this entity for up to \$250,000 per year. Effective March 2004, this deficit amount was reduced to \$225,000 per year.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 13 – Post-Employment Benefits Other Than Pensions

Plan Description

The City provides certain post-employment retirement benefits for its qualifying employees and spouses/dependents through a single-employer defined benefit health care plan. Eligible participants, as defined by the City, may continue coverage during retirement by paying the total active contributions, including the City portion and the retiree portion. In the case of deferred retirement or death in service, the health care benefit is not available. However, in the case of disability retirement benefits, coverage is available if the employee is eligible for disability benefits through the City. Coverage under the health care plan ceases upon reaching Medicare eligibility. A separate, audited GAAP-basis postemployment benefit plan report is not available.

Funding Policy and Annual OPEB Cost

The City’s annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City’s annual OPEB cost for the fiscal year ending September 30, 2015 is as follows:

Determination of Net OPEB Obligation (NOO)	
Annual required contribution	\$ 559,628
Interest on net OPEB obligation	138,628
Adjustment to ARC	<u>(128,437)</u>
Annual OPEB cost	569,819
Less contributions made	<u>(300,022)</u>
Increase in net OPEB obligation	269,797
Net OPEB obligation – beginning of year	<u>3,080,617</u>
Net OPEB obligation – end of year	<u><u>\$ 3,350,414</u></u>

The City’s annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2015 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2015	\$ 569,819	\$ 300,022	52.7%	\$ 3,350,414
2014	473,422	-	0.0%	3,080,617
2013	481,666	-	0.0%	2,607,195

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 13 – Post-Employment Benefits Other Than Pensions (continued)

Funded Status and Funding Progress

The funded status of the City’s retiree health care plan, under GASB Statement No. 45 as of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2014	\$ -	\$ 5,055,197	\$ 5,055,197	0.00%	37,781,880	13.4%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$5,055,197 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 13.4%.

Actuarial Methods and Assumptions

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation Rate	3.00% per annum
Investment Rate of Return	4.50% per annum, net of expenses
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level as a percentage of employee payroll
Amortization Period	30-year open amortization
Payroll Growth	3.00% per annum
Medical & Drug Trend	Initial rate of 7.25% declining to an ultimate rate of 4.50% after 14 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 14 – Employee Retirement System

Plan Descriptions

The City has three single employer defined benefit pension plans which provide pension benefits for substantially all of its full-time employees:

- City Of Galveston Employees’ Retirement Plan for City Employees
- City Of Galveston Employees’ Retirement Plan for Police
- Galveston Firefighters’ Pension Fund

These pension plans were established under the authority of Title 8, Subchapter A of the Texas Government Code, Texas statutes (Vernon's Texas Civil Statutes, Articles 6243p and 6243e respectively) which establish the various benefit provisions. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends December 31. The most recent available stand-alone financial statements of the pension funds are for the year ended December 31, 2014. The specific summary plan description for each Plan and the financial statements are available at the respective plan offices.

Benefits Provided

The City Of Galveston Employees’ Retirement Plan for City Employees (“ERP”) provides for retirement benefits for non-civil service employees, service-connected disability and death benefits to eligible members and surviving spouse and/or dependents. The normal retirement benefit under the Plan equals the greater of 2.25% of Average Monthly Compensation on December 31, 2003, multiplied by a Participant’s years of benefit service on December 31, 2003, or 2.25% of Average Monthly Compensation multiplied by a Participant’s years of benefit service. The maximum normal retirement benefit is \$4,167 per month. Service retirement benefits are payable for the Participant’s lifetime. In the event the Participant’s death precedes that of his or her spouse, one half of the Participant’s pension will be continued to the spouse for his or her lifetime or until remarried.

City Of Galveston Employees’ Retirement Plan for Police (“PRP”) provides retirement benefits for police officers in two groups: *Group A* consists of members with 15 or more years of service as of January 1, 2006, who were members as of June 30, 2008. *Group B* consists of members who either (a) had less than 15 years of service as of January 1, 2006, and who were members as of June 30, 2008, or (b) were employed on or after July 1, 2008.

Normal and Late Retirement - Eligibility is attainment of age 65. Benefits for Group B members will be equal to 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years. Benefits for Group A members shall be the greater of (i) the monthly amount determined as 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years, and (ii) the sum of the Preserved Benefit and Post Transition Accrued Benefit payable after the Member attains age sixty-five (65).

Galveston Firefighters’ Pension Fund (“GFPF”) provides retirement and incidental benefits for all civil service members of the City of Galveston, Texas Fire Department under the age of 35 at the date of entering service.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Employee Retirement System (continued)

A member is eligible for service retirement upon completion of 20 years of service and attainment of age 50. Benefits are calculated at 3% of the highest 60-month average salary times years of service. Benefits are payable for the member’s lifetime; if the member’s death precedes the death of the member’s spouse, two-thirds of the member’s pension will be continued for the spouse for his or her lifetime. However, benefits cease if the spouse remarries.

A member who has attained age 51.5 and 21.5 years of service may elect to receive benefits under the Retro DROP option. This option is equal to the amount of monthly contributions that the member made to the fund during participation in the fund plus the total monthly retirement benefits the member would have received between the time the member entered DROP and the time the member retired under the plan.

Employees covered by the three plans as of September 30, 2015 were as follows:

	Employee Pension Plan	Police Pension Plan	Fire Fighters Pension Plan
Retirees and beneficiaries currently receiving benefits	319	137	84
Terminated employees entitled to but not receiving benefits	183	10	
Active Employees	442	138	82
Total Participants	944	285	166

Contributions

Contribution rates for the City and employees for the fiscal year ended September 30, 2015 were as follows:

	Employee Pension Plan	Police Pension Plan	Fire Fighters Pension Plan
Participant contribution	6%	12%	16%
City contribution	9%	12%	14%

Pension contribution rates are determined by ordinance with respect to the Employee Plan and contract agreements with respect to the Police and Firefighters Plans.

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Employee Retirement System (continued)

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Plans’ Fiduciary Net Position is determined on the same basis used by the pension plans.

	<u>Employees Pension Plan</u>	<u>Police Pension Plan</u>	<u>Fire Fighters Pension Plan</u>
Total Pension Liability	\$ 55,837,502	\$ 47,656,947	\$ 59,429,010
Fiduciary Net Position	44,745,232	22,403,026	41,354,649
Net Pension Liability	<u>\$ 11,092,270</u>	<u>\$ 25,253,921</u>	<u>\$ 18,074,361</u>
Fiduciary net position as a percentage of total pension liability	80%	47%	70%

Changes in Net Pension Liability

Changes in the City’s net pension liability presented below are calculated on the same basis as each of the plans for the year ended December 31, 2014 (measurement year):

	<u>Employees' Retirement Plan for City Employees</u>	<u>Galveston Firefighters' Pension Fund</u>	<u>Employees' Retirement Plan for Police</u>
Total pension liability:			
Service cost	\$ 2,184,793	\$ 1,216,609	\$ 1,140,739
Interest	4,291,727	4,523,782	3,669,170
Difference between expected and actual experience	-	-	(502,743)
Change in assumptions	-	-	(2,527,532)
Benefit payments, including refunds of employee contributions	<u>(3,820,447)</u>	<u>(3,151,223)</u>	<u>(3,808,422)</u>
Net change in total pension liability	2,656,073	2,589,168	(2,028,788)
Total pension liability - beginning	<u>53,181,429</u>	<u>56,839,842</u>	<u>49,685,735</u>
Total pension liability - ending (a)	<u>\$ 55,837,502</u>	<u>\$ 59,429,010</u>	<u>\$ 47,656,947</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,836,025	\$ 986,610	\$ 1,240,469
Contributions - employee	1,224,018	1,127,549	1,240,469
Net investment income	1,803,409	1,486,347	1,101,143
Benefit payments, including refunds of employee contributions	(3,820,447)	(3,151,223)	(3,808,422)
Administrative expense	<u>(123,414)</u>	<u>(133,008)</u>	<u>(85,937)</u>
Net change in plan fiduciary net position	919,591	316,275	(312,278)
Plan fiduciary net position - beginning	<u>43,825,641</u>	<u>41,038,374</u>	<u>22,715,304</u>
Plan fiduciary net position - ending (b)	<u>\$ 44,745,232</u>	<u>\$ 41,354,649</u>	<u>\$ 22,403,026</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,092,270</u>	<u>\$ 18,074,361</u>	<u>\$ 25,253,921</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Employee Retirement System (continued)

Pension Expense

For the year ended September 30, 2015, the City recognized total pension expense of \$8,205,052. Pension expense recognized by plan is as follows:

	<u>Employees Pension Plan</u>	<u>Police Pension Plan</u>	<u>Fire Fighters Pension Plan</u>
Service Cost	\$ 2,184,793	\$ 1,140,739	\$ 1,216,609
Interest on Total Pension Liability	4,291,727	3,669,170	4,523,782
Administrative expenses	123,414	85,938	133,008
member contributions	(1,283,791)	(1,240,469)	(1,127,549)
Expected investment return net of investment expenses	(2,151,367)	(1,673,179)	(1,486,208)
Recognition of economic/demographic gains or losses	-	(73,933)	-
Recognition of assumption changes or inputs	-	(371,696)	-
Differences between projected and actual earnings on plan investments	69,592	174,500	(28)
Pension Expense	<u>\$ 3,234,368</u>	<u>\$ 1,711,070</u>	<u>\$ 3,259,614</u>

Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at September 30, 2015 for each plan are as follows

	<u>Employees Pension Plan</u>		<u>Police Pension Plan</u>		<u>Fire Fighters Pension Plan</u>		<u>Total</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 428,810	\$ -	\$ -	\$ (428,810)
Changes of assumptions	-	-	-	2,155,836	-	-	(2,155,836)
Difference between projected and actual earnings	278,366	-	698,002	-	-	-	976,368
Employers contribution subsequent to measurement date	1,364,839	-	883,391	-	759,772	-	3,008,002
	<u>\$ 1,643,205</u>	<u>\$ -</u>	<u>\$ 1,581,393</u>	<u>\$ 2,584,646</u>	<u>\$ 759,772</u>	<u>\$ -</u>	<u>\$ 1,399,724</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Employee Retirement System (continued)

The \$3,008,002 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Employees Pension Plan</u>	<u>Police Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Total</u>
2016	\$ (69,592)	\$ 271,129	\$ -	\$ 201,537
2017	(69,592)	271,129	-	201,537
2018	(69,592)	271,129	-	201,537
2019	(69,590)	271,129	-	201,539
2020	-	445,629	-	445,629
2021	-	356,499	-	356,499
	<u>\$ (278,366)</u>	<u>\$ 1,886,644</u>	<u>\$ -</u>	<u>\$ 1,608,278</u>

Assumptions and other data

Discount Rate

The discount rates reported are based on certified actuarial reports and are used to measure the total pension liability as of December 31, 2014 which is 8.0% for all three plans. The discount rate is an assumption that generally is not required to be updated between actuarial valuations dates.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of each plan as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower or 1-percentage-point higher than the current rates used:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Employees Pension Plan	\$ 17,158,945	\$ 11,092,270	\$ 5,944,687
Police Pension Plan	\$ 30,616,842	\$ 25,253,921	\$ 20,742,781
Fire Fighters Pension Plan	\$ 25,037,688	\$ 18,074,361	\$ 12,256,462

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15. Prior Period Adjustments

During the current fiscal year, the City made the following prior period adjustments to the government-wide and fund financial statements:

1. The adoption of Governmental Accounting Standards Board (GASB) Statements No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, for the year ended June 30, 2015, has resulted in the restatement of the City’s beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plans and the recognition of pension expense in accordance with the provisions of these statements. This change in accounting policies included adjustments to beginning net pension liability, deferred outflows for pension contributions made after the December 31, 2013 measurement date and the removal of the net pension obligation liability prescribed by the former standards.
2. The City corrected an error in reporting a receivable from the Port of Galveston for the repayment of certificates of obligation issued by the City.
3. The City corrected an error in reporting construction in progress relating to a maintenance facility and the new transit center.

	Government-wide Statement of Activities		Fund Level Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds		
	Governmental Activities	Business-type Activities	Waterworks	Sewer	Other Enterprise Funds
Net position at September 30, 2014, as previously reported	\$ 166,477,841	\$ 221,202,211	\$ 70,151,787	\$ 114,015,889	\$ 35,024,342
Recording of net pension liability as of September 30, 2014	(48,006,823)	(4,529,400)	(870,400)	(1,853,700)	(1,805,300)
Deferral for pension contributions made after the measurement date	2,410,621	1,233,000	236,900	504,600	491,500
Remove net pension obligation	2,729,606	-	-	-	-
Port payment adjustment	(3,789,398)	-	-	-	-
Various capital asset adjustments	(2,447,818)	-	-	-	-
Net position at September 30, 2014, as restated	<u>\$ 117,374,029</u>	<u>\$ 217,905,811</u>	<u>\$ 69,518,287</u>	<u>\$ 112,666,789</u>	<u>\$ 33,710,542</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15. Prior Period Adjustments (continued)

During the year ended September 30, 2015 the City changed the way it accounted for certain funds and liabilities:

1. The City separated a sub-fund of the general fund committed for infrastructure improvements and repairs by the city council effective October 1, 2015.
2. The City began to treat a capital lease previously accounted for as part of the governmental activities at the government-wide level as a liability of an internal service fund, causing the beginning net position of that fund to decrease.

	<u>Governmental Funds</u>		<u>Internal Service Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Central Garage</u>
Net position at September 30, 2014, as previously reported	\$ 19,886,292	\$ 38,919,348	\$ 1,724,743
Moving the Infrastructure fund out of General fund	(2,519,528)	2,519,528	-
Reclassification of capital lease from governmental activities to internal service fund	-	-	(863,516)
Net position at September 30, 2014, as restated	<u>\$ 17,366,764</u>	<u>\$ 41,438,876</u>	<u>\$ 861,227</u>

Note 16 - Litigation/Contingency

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek damages that could impact the operations of the City. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; breach of contract and various claims from contractors for additional amounts under construction contracts. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. However, in respect to the lawsuit styled *CDM Smith v. City of Galveston et. al.* in the 56th Judicial District Court of Galveston County Texas, the Plaintiff has alleged breach of contract and seeks up to \$15M in damages. The City strongly denies liability and is defending the case vigorously but cannot predict the outcome of the case. Certain jurisdictional issues have been decided and the case has been returned to the trial court for discovery.

The City intends to defend itself vigorously against all suits; however, no prediction can be made, as of the date. Thereof, with respect to the liability of the City for such claims or the final outcome of such suits. The City typically utilizes its general fund to liquidate claims and judgments; however, the City is authorized under Texas law to issue refunding bonds to pay any final judgments and settlements resulting from lawsuits against the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALVESTON, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended December 31, 2014

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
Total pension liability:			
Service cost	\$ 2,184,793	\$ 1,216,609	\$ 1,140,739
Interest	4,291,727	4,523,782	3,669,170
Difference between expected and actual experience	-	-	(502,743)
Change in assumptions	-	-	(2,527,532)
Benefit payments, including refunds of employee contributions	(3,820,447)	(3,151,223)	(3,808,422)
Net change in total pension liability	2,656,073	2,589,168	(2,028,788)
Total pension liability - beginning	53,181,429	56,839,842	49,685,735
Total pension liability - ending (a)	<u>\$ 55,837,502</u>	<u>\$ 59,429,010</u>	<u>\$ 47,656,947</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,836,025	\$ 986,610	\$ 1,240,469
Contributions - employee	1,224,018	1,127,549	1,240,469
Net investment income	1,803,409	1,486,347	1,101,143
Benefit payments, including refunds of employee contributions	(3,820,447)	(3,151,223)	(3,808,422)
Administrative expense	(123,414)	(133,008)	(85,937)
Net change in plan fiduciary net position	919,591	316,275	(312,278)
Plan fiduciary net position - beginning	43,825,641	41,038,374	22,715,304
Plan fiduciary net position - ending (b)	<u>\$ 44,745,232</u>	<u>\$ 41,354,649</u>	<u>\$ 22,403,026</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,092,270</u>	<u>\$ 18,074,361</u>	<u>\$ 25,253,921</u>
Plan fiduciary net position as a percentage of total pension liability	80.13%	69.59%	47.01%
Covered employee payroll	\$ 20,400,300	\$ 7,044,338	\$ 10,337,242
Net pension liability as a percentage of covered employee payroll	54.37%	256.58%	244.30%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF GALVESTON, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Schedule of Contributions
Last Five Fiscal Years

	Employees' Retirement Plan for City Employees				
	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 2,278,432	\$ 2,040,170	\$ 2,108,505	\$ 2,026,248	\$ 1,786,959
Contribution in relation to the actuarially required contribution	\$ 1,858,266	\$ 1,836,025	\$ 1,583,356	\$ 1,616,976	\$ 1,645,622
Contribution deficiency (excess)	\$ 420,166	\$ 204,145	\$ 525,149	\$ 409,272	\$ 141,337
Covered employee payroll	\$ 20,647,326	\$20,400,300	\$17,592,844	\$17,966,400	\$18,284,689
Contributions as a percentage of covered employee payroll	9.0%	9.0%	9.0%	9.0%	9.0%
	Galveston Firefighters' Pension Fund				
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961	\$ 914,489
Contribution in relation to the contractually required contribution	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961	\$ 914,489
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 7,036,850	\$ 7,044,338	\$ 6,756,748	\$ 6,564,000	\$ 6,532,071
Contributions as a percentage of covered employee payroll	14.0%	14.0%	14.0%	14.0%	14.0%
	Employees' Retirement Plan for Police				
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059	\$ 1,070,099
Contribution in relation to the contractually required contribution	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059	\$ 1,070,099
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 9,896,098	\$10,337,242	\$ 9,281,758	\$ 9,308,825	\$ 8,917,493
Contributions as a percentage of covered employee payroll	12.0%	12.0%	12.0%	12.0%	12.0%

CITY OF GALVESTON, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Notes to Schedule of Contributions
For the Year Ended December 31, 2014

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
Valuation Date:	January 1, 2014	January 1, 2014	January 1, 2015

Methods and assumptions used to determine contribution rates:

Asset valuation method	Fair Value	Smoothed market value	Adjusted market value within a corridor range of 90% to 110% of fair market value.
Actuarial cost method	Entry Age Service	Entry Age Service	Entry Age Service
Amortization method	Level percentage of payroll, closed.	Level percentage of payroll, closed.	Level percentage of payroll, closed.
Inflation	3%	3%	4%
Investment rate of return	8%	8%	8%
Administrative expense	Assumed to increase 4.0% per year.	Assumed to increase 4.0% per year.	0.50% per annum
Salary increases	5.25%	4.50%	4.00% per annum for wage inflation. 6.24% grading down to 0.00% per annum for longevity and promotion based on years of service. The total annual assumed salary increase for wage inflation plus longevity and promotion is based on years of service.
Mortality rates	RP-2000 Mortality Table, projected to 2015 using Scale AA, with the separate rates for males and females.	RP-2000 Mortality Table, projected to 2015 using Scale AA, with the separate rates for males and females.	RP-2000 Blue Collar Mortality Table for males and females projected with Scale AA to the measurement date plus 10 years.

CITY OF GALVESTON, TEXAS**REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION**

City of Galveston Retiree Health Plan (Unaudited)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 4,573,093	\$ 4,573,093	0.00%	36,230,562	12.6%
12/31/2012	\$ -	\$ 4,199,878	\$ 4,199,878	0.00%	33,839,225	12.4%
12/31/2014	\$ -	\$ 5,055,197	\$ 5,055,197	0.00%	37,781,880	13.4%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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**CITY OF GALVESTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

Island Transit – To account for the receipt of and expenditure of federal, state, and local revenues designated for transit and other livable community projects.

Rosenberg Library – To account for ad valorem taxes collected and transferred to the library, to be used for library purposes, as authorized by City Charter.

Grants and Government Contracts – To account for receipt and expenditure of federal and state revenues designated for special programs.

Industrial Development Corporation – To account for sales tax revenues collected for street and drainage, beach re-nourishment, and sewer projects.

Project Specific Programs – To account for receipt and expenditures designated for governmental special projects.

Mary Moody Northern Endowment – To account for expenditures related to implementation of community policing CAMstat training funded by donation to police department from Mary Moody Northern Endowment.

Convention Center Fund – To account for operating and capital reserves relating to the convention center.

PEG Fund – To account for receipt and expenditures of public-access television provided for the purpose of public, educational, and governmental information.

CDBG Disaster Fund Housing – To account for receipt and expenditure of federal revenue designated for disaster relief, long-term recovery, and restoration of housing including affordable rental housing in declared federal disaster areas in 2008.

CDBG Entitlement Grant (ARRA) – To account for receipt and expenditure of federal revenue designated for disaster relief, long-term recovery, and restoration of housing under the American Recovery and Reinvestment Act of 2009.

Downtown Parking Fund – To account for receipts of downtown parking revenue and expenditures related to the operation and capital improvement of the downtown area.

Neighborhood Stabilization Program (ARRA) – To account for receipt and expenditure of federal revenue designated for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.

Seawall Parking Fund – To account for receipts of seawall parking revenue and expenditures related to the operation and capital improvement of the seawall and beach.

Arts and Historical – To account for receipts of 1/8 hotel occupancy tax, to be used for advertisement and capital repairs to historical buildings and statues.

**CITY OF GALVESTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

SPECIAL REVENUE FUNDS (CONTINUED)

Neighborhood Revitalization Fund – To account for receipt and expenditure of a local grant monies awarded by the Industrial Development Board of the City of Galveston to be used for Capital Projects.

Public Safety Programs – To account for receipt and expenditures restricted for governmental public safety capital projects.

Infrastructure Fund – To account for receipt and expenditures restricted for governmental infrastructure capital projects.

Judicial Programs – To account for receipt and expenditures restricted for governmental judicial capital projects.

Settlement Fund – To account for receipt and expenditures designated for governmental projects.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Drainage and Street Improvements – To account for capital outlay, drainage and street improvements for improving drains and streets, financed by the IDC.

Sewer Improvements – To account for capital outlay for sewer improvements financed by the IDC.

General Obligation Bond 2001 Capital Projects – To account for capital outlay financed by the proceeds from the General Obligation and Refunding Bonds, Series 2001.

Island Transit Capital Projects – To account for capital outlay related to the Island Transit operations.

General Obligation Bond 2005 Capital Projects – To account for capital outlay financed by the proceeds from the General Obligation and Refunding Bonds, Series 2005.

Industrial Development Corporation Capital Improvements – To account for capital outlay for beach re-nourishment, economic development, and improvements to city parks, and street, drainage and sewer systems financed by the IDC.

CITY OF GALVESTON, TEXAS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for debt service fund and payment of general long-term debt, principal, interest and related costs.

Debt Service Fund – To account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes.

Hotel Occupancy Tax Debt Service Fund – To account for the accumulation of resources for hotel occupancy and tax debt service fund and payment of hotel occupancy bonds principal, interest and related costs.

CITY OF GALVESTON, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015

	Island Transit	Rosenberg Library	Grants and Government Contracts	Industrial Development Corporation	Project Specific Programs	Mary Moody Northern Endowment
Assets						
Cash and cash equivalents	\$ -	\$ 14,629	\$ 269,821	\$ -	\$ 695,189	\$ 2
Receivables (net of allowance for uncollectibles)	304,666	76,932	990,102	-	602,558	-
Due from other governments	813,705	-	1,022,637	-	1,339,412	-
Inventories	264,300	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-
Total Assets	1,382,671	91,561	2,282,560	-	2,637,159	2
Liabilities						
Accounts payable	134,100	14,629	216,082	-	136,538	-
Accrued expenditures	88,956	-	21,398	-	1,412	-
Due to other funds	1,119,793	-	-	-	-	-
Payable to other governments	-	-	2,348	-	1,892,152	-
Unearned Revenue	-	-	2,059,654	-	20,000	2
Total Liabilities	1,342,849	14,629	2,299,482	-	2,050,102	2
Deferred Inflows of Resources						
Unavailable revenue - Property taxes	-	76,932	-	-	-	-
Total Deferred Inflows of Resources	-	76,932	-	-	-	-
Fund Balance						
Nonspendable:						
Inventories	264,300	-	-	-	-	-
Prepays	-	-	-	-	-	-
Restricted:						
Debt service	-	-	-	-	-	-
Beach preservation	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Tourism, convention and hotel industry:						
Convention center operator	-	-	-	-	-	-
City of Galveston	-	-	-	-	-	-
Committed:						
Governmental projects	-	-	-	-	587,057	-
Unassigned	(224,478)	-	(16,922)	-	-	-
Total Fund Balance	39,822	-	(16,922)	-	587,057	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,382,671	\$ 91,561	\$ 2,282,560	\$ -	\$2,637,159	\$ 2

Convention Center Funds	PEG Fund	CDBG Disaster Fund Housing	CDBG Entitlement Grant (ARRA)	Downtown Parking Fund	Neighborhood Stabilization Program (ARRA)	Seawall Parking	Arts and Historical
\$ 6,897,555	\$ 515,875	\$ -	\$ 43,701	\$ 13,980	\$ 28,337	\$ 715,646	\$ 649,204
-	37,699	9,104	-	-	(22,341)	2,964	-
-	-	1,732,361	-	-	-	145,420	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,897,555</u>	<u>553,574</u>	<u>1,741,465</u>	<u>43,701</u>	<u>13,980</u>	<u>5,996</u>	<u>864,030</u>	<u>649,204</u>
15,000	-	-	-	-	-	-	7,331
-	-	-	-	7,865	-	-	-
-	-	1,741,465	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	43,701	-	5,996	-	-
<u>15,000</u>	<u>-</u>	<u>1,741,465</u>	<u>43,701</u>	<u>7,865</u>	<u>5,996</u>	<u>-</u>	<u>7,331</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	864,030	-
-	-	-	-	-	-	-	641,873
4,066,682	-	-	-	-	-	-	-
2,815,873	553,574	-	-	6,115	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,882,555</u>	<u>553,574</u>	<u>-</u>	<u>-</u>	<u>6,115</u>	<u>-</u>	<u>864,030</u>	<u>641,873</u>
<u>\$ 6,897,555</u>	<u>\$ 553,574</u>	<u>\$ 1,741,465</u>	<u>\$ 43,701</u>	<u>\$ 13,980</u>	<u>\$ 5,996</u>	<u>\$ 864,030</u>	<u>\$ 649,204</u>

CITY OF GALVESTON, TEXAS
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015
(continued)

	Neighborhood Revitalization	Public Safety Programs	Infrastructure Fund	Judicial Programs	Drainage and Street Improvements	Sewer Improvements
Assets						
Cash and cash equivalents	\$ 2,979,946	\$ 366,300	\$ 3,497,374	\$ 347,417	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-
Total Assets	<u>2,979,946</u>	<u>366,300</u>	<u>3,497,374</u>	<u>347,417</u>	<u>-</u>	<u>-</u>
Liabilities						
Accounts payable	58	-	370,603	-	-	-
Accrued expenditures	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	<u>58</u>	<u>-</u>	<u>370,603</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue - Property taxes	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance						
Nonspendable:						
Inventories	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
Restricted:						
Debt service	-	-	-	-	-	-
Beach preservation	-	-	-	-	-	-
Capital projects	2,979,888	366,300	3,126,771	347,417	-	-
Tourism, convention and hotel industry:						
Convention center operator	-	-	-	-	-	-
City of Galveston	-	-	-	-	-	-
Committed:						
Governmental projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balance	<u>2,979,888</u>	<u>366,300</u>	<u>3,126,771</u>	<u>347,417</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,979,946</u>	<u>\$ 366,300</u>	<u>\$ 3,497,374</u>	<u>\$ 347,417</u>	<u>\$ -</u>	<u>\$ -</u>

Settlement Fund	General Obligation Bond 2001 Capital Projects	Island Transit Capital Projects	General Obligation Bond 2005 Capital Projects	IDC Capital Improvements	Debt Service Fund	Hotel Occupancy Tax Debt Service Fund	Total Non-Major Governmental Funds
\$ 7,020,563	\$ 244,638	\$ 469,766	\$ 1,993,652	\$ 15,756,496	\$ 4,269,800	\$ 2,731,767	\$ 49,521,658
-	-	-	-	2,196	77,534	-	2,081,414
-	-	2,152,895	-	891,456	-	-	8,097,886
-	-	-	-	-	-	-	264,300
-	-	-	-	-	249,875	-	249,875
<u>7,020,563</u>	<u>244,638</u>	<u>2,622,661</u>	<u>1,993,652</u>	<u>16,650,148</u>	<u>4,597,209</u>	<u>2,731,767</u>	<u>60,215,133</u>
90,431	133,538	1,767,781	3,327	79,601	650	-	2,969,669
-	-	373	1,274	5,104	-	-	126,382
-	-	-	-	-	-	-	2,861,258
-	-	-	-	-	-	-	1,894,500
-	-	123,656	-	-	1,861,033	-	4,114,042
<u>90,431</u>	<u>133,538</u>	<u>1,891,810</u>	<u>4,601</u>	<u>84,705</u>	<u>1,861,683</u>	<u>-</u>	<u>11,965,851</u>
-	-	-	-	-	77,534	-	154,466
-	-	-	-	-	77,534	-	154,466
-	-	-	-	-	-	-	264,300
-	-	-	-	-	249,875	-	249,875
-	-	-	-	-	2,408,117	2,731,767	5,139,884
-	-	-	-	-	-	-	864,030
-	111,100	730,851	1,989,051	16,565,443	-	-	26,858,694
-	-	-	-	-	-	-	4,066,682
-	-	-	-	-	-	-	3,375,562
6,930,132	-	-	-	-	-	-	7,517,189
-	-	-	-	-	-	-	(241,400)
<u>6,930,132</u>	<u>111,100</u>	<u>730,851</u>	<u>1,989,051</u>	<u>16,565,443</u>	<u>2,657,992</u>	<u>2,731,767</u>	<u>48,094,816</u>
<u>\$ 7,020,563</u>	<u>\$ 244,638</u>	<u>\$ 2,622,661</u>	<u>\$ 1,993,652</u>	<u>\$ 16,650,148</u>	<u>\$ 4,597,209</u>	<u>\$ 2,731,767</u>	<u>\$ 60,215,133</u>

CITY OF GALVESTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	Island Transit	Rosenberg Library	Grants and Government Contracts	Industrial Development Corporation	Project Specific Programs	Mary Moody Northern Endowment
Revenues						
Property taxes	\$ -	\$ 2,158,665	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	4,795	-
Charges for services	1,276,582	-	-	-	-	-
Investment earnings	-	-	67	-	1,946	-
Intergovernmental	2,922,741	-	1,710,335	-	10,000	-
Other	1,161	-	295,876	-	209,645	-
Total Revenues	<u>4,200,484</u>	<u>2,158,665</u>	<u>2,006,278</u>	<u>-</u>	<u>226,386</u>	<u>-</u>
Expenditures						
Current:						
General government	-	-	-	-	7,514	-
Public safety	-	-	54,403	-	16,988	-
Culture and recreation	-	2,147,587	-	-	23,698	-
Community development	-	-	1,437,347	-	-	-
Transportation	4,338,884	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-
Capital Outlay	-	-	514,525	-	60,382	-
Total Expenditures	<u>4,338,884</u>	<u>2,147,587</u>	<u>2,006,275</u>	<u>-</u>	<u>108,582</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(138,400)</u>	<u>11,078</u>	<u>3</u>	<u>-</u>	<u>117,804</u>	<u>-</u>
Other Financing Sources (Uses)						
Proceeds from refunding bonds	-	-	-	-	-	-
Premiums on refunding bonds	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	45,218	-
Transfers out	-	-	-	-	(1,209,897)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,164,679)</u>	<u>-</u>
Net change in fund balance	(138,400)	11,078	3	-	(1,046,875)	-
Fund balance - beginning	178,222	(11,078)	(16,925)	2,738,005	1,633,932	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,738,005)</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 39,822</u>	<u>\$ -</u>	<u>\$ (16,922)</u>	<u>\$ -</u>	<u>\$ 587,057</u>	<u>\$ -</u>

<u>Convention Center Funds</u>	<u>PEG Fund</u>	<u>CDBG Disaster Fund Housing</u>	<u>CDBG Entitlement Grant (ARRA)</u>	<u>Downtown Parking Fund</u>	<u>Neighborhood Stabilization Program (ARRA)</u>	<u>Seawall Parking</u>	<u>Arts and Historical</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,641,262	-	-	-	-	-	-	210,250
-	-	-	-	-	-	-	-
-	556,294	-	-	201,814	-	424,700	-
96	1,061	-	-	33	-	2,734	-
-	-	163,114	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,641,358</u>	<u>557,355</u>	<u>163,114</u>	<u>-</u>	<u>201,847</u>	<u>-</u>	<u>427,434</u>	<u>210,250</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,356,190	501	-	-	195,732	-	53,591	27,772
-	-	163,114	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,280	-	-	-	-	-	-
<u>4,356,190</u>	<u>3,781</u>	<u>163,114</u>	<u>-</u>	<u>195,732</u>	<u>-</u>	<u>53,591</u>	<u>27,772</u>
<u>285,168</u>	<u>553,574</u>	<u>-</u>	<u>-</u>	<u>6,115</u>	<u>-</u>	<u>373,843</u>	<u>182,478</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
245,168	553,574	-	-	6,115	-	373,843	182,478
6,637,387	-	-	-	-	-	490,187	459,395
-	-	-	-	-	-	-	-
<u>\$ 6,882,555</u>	<u>\$ 553,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,115</u>	<u>\$ -</u>	<u>\$ 864,030</u>	<u>\$ 641,873</u>

CITY OF GALVESTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

(continued)

	Neighborhood Revitalization	Public Safety Programs	Infrastructure Fund	Judicial Programs	Drainage and Street Improvements	Sewer Improvements
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	-	107,619	-	-
Charges for services	-	75,702	-	-	-	-
Investment earnings	7,749	1,567	15,464	1,957	4,019	1,961
Intergovernmental	-	35,263	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>7,749</u>	<u>112,532</u>	<u>15,464</u>	<u>109,576</u>	<u>4,019</u>	<u>1,961</u>
Expenditures						
Current:						
General government	-	-	61,425	245,877	126	61
Public safety	-	314,792	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	123	-	-	-	-	-
Transportation	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	3,167	-	3,279	-	-	-
Bond issuance cost	-	-	-	-	-	-
Capital Outlay	-	-	722,151	-	-	-
Total Expenditures	<u>3,290</u>	<u>314,792</u>	<u>786,855</u>	<u>245,877</u>	<u>126</u>	<u>61</u>
Excess (deficiency) of revenues over expenditures	<u>4,459</u>	<u>(202,260)</u>	<u>(771,391)</u>	<u>(136,301)</u>	<u>3,893</u>	<u>1,900</u>
Other Financing Sources (Uses)						
Proceeds from refunding bonds	-	-	-	-	-	-
Premiums on refunding bonds	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-
Transfers in	2,765,143	568,560	1,378,634	483,718	-	-
Transfers out	-	-	-	-	(1,858,427)	(906,716)
Total other financing sources (uses)	<u>2,765,143</u>	<u>568,560</u>	<u>1,378,634</u>	<u>483,718</u>	<u>(1,858,427)</u>	<u>(906,716)</u>
Net change in fund balance	2,769,602	366,300	607,243	347,417	(1,854,534)	(904,816)
Fund balance - beginning	210,286	-	-	-	1,854,534	904,816
Prior Period Adjustment	-	-	2,519,528	-	-	-
Fund balance - ending	<u>\$ 2,979,888</u>	<u>\$ 366,300</u>	<u>\$ 3,126,771</u>	<u>\$ 347,417</u>	<u>\$ -</u>	<u>\$ -</u>

Settlement Fund	General Obligation Bond 2001 Capital Projects	Island Transit Capital Projects	General Obligation Bond 2005 Capital Projects	IDC Capital Improvements	Debt Service Fund	Hotel Occupancy Tax Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,946,292	\$ 2,045,540	\$ -	\$ 9,150,497
-	-	-	-	-	-	2,216,970	7,068,482
-	-	-	-	-	-	-	112,414
-	-	-	-	-	-	-	2,535,092
4,460	1,154	3,284	11,576	70,663	25,818	193	155,802
-	-	5,413,459	-	-	2,309,016	-	12,563,928
6,925,521	-	278,150	-	-	-	-	7,710,353
<u>6,929,981</u>	<u>1,154</u>	<u>5,694,893</u>	<u>11,576</u>	<u>5,016,955</u>	<u>4,380,374</u>	<u>2,217,163</u>	<u>39,296,568</u>
195,074	52	-	25,937	-	-	-	536,066
-	-	-	-	-	-	-	386,183
-	-	-	-	936,356	-	-	7,741,427
-	-	-	-	-	-	-	1,600,584
-	-	317,302	-	-	-	-	4,656,186
-	-	-	-	-	3,921,927	760,000	4,681,927
-	-	-	-	14,991	1,387,221	957,810	2,366,468
-	-	-	-	-	133,695	-	133,695
-	140,591	5,311,636	559,431	5,365,468	-	-	12,677,464
<u>195,074</u>	<u>140,643</u>	<u>5,628,938</u>	<u>585,368</u>	<u>6,316,815</u>	<u>5,442,843</u>	<u>1,717,810</u>	<u>34,780,000</u>
<u>6,734,907</u>	<u>(139,489)</u>	<u>65,955</u>	<u>(573,792)</u>	<u>(1,299,860)</u>	<u>(1,062,469)</u>	<u>499,353</u>	<u>4,516,568</u>
-	-	-	-	-	5,900,000	-	5,900,000
-	-	-	-	-	832,890	-	832,890
-	-	-	-	-	(6,583,192)	-	(6,583,192)
195,225	-	125,000	-	-	332,336	-	5,893,834
-	-	-	-	110,880	-	-	(3,904,160)
<u>195,225</u>	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>110,880</u>	<u>482,034</u>	<u>-</u>	<u>2,139,372</u>
6,930,132	(139,489)	190,955	(573,792)	(1,188,980)	(580,435)	499,353	6,655,940
-	250,589	539,896	2,562,843	13,852,301	4,402,544	2,232,414	38,919,348
-	-	-	-	3,902,122	(1,164,117)	-	2,519,528
<u>\$ 6,930,132</u>	<u>\$ 111,100</u>	<u>\$ 730,851</u>	<u>\$ 1,989,051</u>	<u>\$ 16,565,443</u>	<u>\$ 2,657,992</u>	<u>\$ 2,731,767</u>	<u>\$ 48,094,816</u>

CITY OF GALVESTON, TEXAS
SPECIAL REVENUE FUND - ISLAND TRANSIT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	2015		Variance Positive / (Negative)
	Budget	Actual	
Revenues			
Charges for Services	\$ 1,520,000	\$ 1,276,582	\$ (243,418)
Intergovernmental	3,238,921	2,922,741	(316,180)
Other	5,000	1,161	(3,839)
Total Revenues	<u>4,763,921</u>	<u>4,200,484</u>	<u>(563,437)</u>
Expenditures			
Transportation	4,652,072	4,338,884	313,188
Total Expenditures	<u>4,652,072</u>	<u>4,338,884</u>	<u>313,188</u>
Revenues over (under) expenditures	<u>111,849</u>	<u>(138,400)</u>	<u>(250,249)</u>
Changes in fund balance	111,849	(138,400)	(250,249)
Fund balance - beginning	<u>178,222</u>	<u>178,222</u>	<u>-</u>
Fund balance - ending	<u>\$ 290,071</u>	<u>\$ 39,822</u>	<u>\$ (250,249)</u>

CITY OF GALVESTON, TEXAS
SPECIAL REVENUE FUND - ROSENBERG LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	2015		Variance Positive / (Negative)
	Budget	Actual	
Revenues			
Property Taxes	\$ 2,144,036	\$ 2,158,665	\$ 14,629
Total Revenues	<u>2,144,036</u>	<u>2,158,665</u>	<u>14,629</u>
Expenditures			
Current:			
Culture and recreation	<u>2,147,587</u>	<u>2,147,587</u>	<u>-</u>
Total Expenditures	<u>2,147,587</u>	<u>2,147,587</u>	<u>-</u>
Changes in fund balance	<u>(3,551)</u>	<u>11,078</u>	<u>14,629</u>
Fund balance - beginning	<u>(11,078)</u>	<u>(11,078)</u>	<u>-</u>
Fund balance - ending	<u>\$ (14,629)</u>	<u>\$ -</u>	<u>\$ 14,629</u>

CITY OF GALVESTON, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	2015		Variance Positive / (Negative)
	Budget	Actual	
Revenues			
Taxes:			
Property taxes	\$ 2,007,878	\$ 2,045,540	\$ 37,662
Investment earnings	500	25,818	25,318
Other	2,971,875	2,309,016	(662,859)
Total Revenues	<u>4,980,253</u>	<u>4,380,374</u>	<u>(599,879)</u>
Expenditures			
Debt Service:			
Principal	4,395,000	3,921,927	473,073
Interest and other charges	944,618	1,387,221	(442,603)
Bond issuance costs	-	133,695	(133,695)
Total Expenditures	<u>5,339,618</u>	<u>5,442,843</u>	<u>(103,225)</u>
Revenues over (under) expenditures	<u>(359,365)</u>	<u>(1,062,469)</u>	<u>(703,104)</u>
Other Financing Sources (Uses)			
Proceeds from refunding bonds	-	5,900,000	5,900,000
Premiums on refunding bonds	-	832,890	832,890
Payment to escrow agent	-	(6,583,192)	(6,583,192)
Transfers in	382,986	332,336	(50,650)
Total other financing sources (uses)	<u>382,986</u>	<u>482,034</u>	<u>99,048</u>
Changes in fund balance	23,621	(580,435)	(604,056)
Fund balance - beginning	4,402,545	4,402,545	-
Prior Period Adjustment	-	(1,164,117)	1,164,117
Fund balance - ending	<u>\$ 4,426,166</u>	<u>\$ 2,657,993</u>	<u>\$ 560,061</u>

**CITY OF GALVESTON, TEXAS
NONMAJOR ENTERPRISE FUNDS**

To account for operations that are financed and operated in a manner similar to private business enterprises – (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through the user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Sanitation Services – To account for the provision of a sanitation system to the residents of the City, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Drainage Utility – To account for the provision of a utility drainage system to the residents of the City, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Airport – To account for the provision of a municipal airport including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
September 30, 2015

	<u>Sanitation</u>	<u>Drainage</u>	<u>Airport</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 996,848	\$ 1,364,846	\$ 992,746	\$ 3,354,440
Accounts Receivable, net of allowance for doubtful accounts	2,741,728	688,670	423,883	3,854,281
Due from other funds	-	-	91,499	91,499
Prepaid Expenses	300	107,826	467	108,593
Restricted cash and cash equivalents	-	2,029,812	-	2,029,812
Total current assets	<u>3,738,876</u>	<u>4,191,154</u>	<u>1,508,595</u>	<u>9,438,625</u>
Non-current assets:				
Capital assets not being depreciated:				
Land and improvements	-	-	1,230,764	1,230,764
Construction in Progress	39,832	2,244,812	4,366,357	6,651,001
Capital assets (net of depreciation):				
Infrastructure	44,441	2,701,325	11,329,804	14,075,570
Buildings	422,987	-	2,738,445	3,161,432
Equipment and Furniture	2,170,979	2,310,179	70,891	4,552,049
Total non-current assets	<u>2,678,239</u>	<u>7,256,316</u>	<u>19,736,261</u>	<u>29,670,816</u>
Total assets	<u>6,417,115</u>	<u>11,447,470</u>	<u>21,244,856</u>	<u>39,109,441</u>
Deferred Outflows of Resources				
Deferred outflows relating to pension activities	146,900	97,900	22,600	267,400
Total Deferred Outflows of Resources	<u>146,900</u>	<u>97,900</u>	<u>22,600</u>	<u>267,400</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	199,438	283,354	20,310	503,102
Due to other funds	93,305	-	-	93,305
Due to other governments	303,538	-	-	303,538
Unearned revenue	14,375	-	197,936	212,311
Total Current Liabilities	<u>610,656</u>	<u>283,354</u>	<u>218,246</u>	<u>1,112,256</u>
Non-current liabilities:				
Due within one year	35,700	10,710	6,630	53,040
Due in more than one year	291,875	121,737	39,916	453,528
Net pension liability	991,300	660,900	153,100	1,805,300
Total non-current liabilities	<u>1,318,875</u>	<u>793,347</u>	<u>199,646</u>	<u>2,311,868</u>
Total Liabilities	<u>1,929,531</u>	<u>1,076,701</u>	<u>417,892</u>	<u>3,424,124</u>
NET POSITION				
Net investment in capital assets	2,678,239	-	-	2,678,239
Restricted for capital projects	-	2,029,812	-	2,029,812
Unrestricted	1,956,245	8,438,857	20,849,564	31,244,666
Total net position	<u>\$ 4,634,484</u>	<u>\$ 10,468,669</u>	<u>\$ 20,849,564</u>	<u>\$ 35,952,717</u>

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
OTHER ENTERPRISE FUNDS
For the Year Ended September 30, 2015

	<u>Sanitation</u>	<u>Drainage</u>	<u>Airport</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 5,660,547	\$ 2,707,763	1,303,465	\$ 9,671,775
Total operating revenues	<u>5,660,547</u>	<u>2,707,763</u>	<u>1,303,465</u>	<u>9,671,775</u>
OPERATING EXPENSES				
Personnel services	2,354,516	1,448,827	374,978	4,178,321
Contractual services	1,710,354	326,987	140,075	2,177,416
Supplies and materials	125,643	59,833	90,045	275,521
Other expenses	132,896	119,897	211,321	464,114
Administration charge	208,736	46,967	53,650	309,353
Depreciation	391,041	465,712	886,168	1,742,921
Total Operating Expenses	<u>4,923,186</u>	<u>2,468,223</u>	<u>1,756,237</u>	<u>9,147,646</u>
Operating income (loss)	<u>737,361</u>	<u>239,540</u>	<u>(452,772)</u>	<u>524,129</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	-	68,904	68,904
Interest and investment revenue	3,860	15,113	4,455	23,428
Gain (loss) on disposal of capital assets	(39,983)	(47,688)	-	(87,671)
Total non-operating revenue (expenses)	<u>(36,123)</u>	<u>(32,575)</u>	<u>73,359</u>	<u>4,661</u>
Income (loss) before contributions and transfer	<u>701,238</u>	<u>206,965</u>	<u>(379,413)</u>	<u>528,790</u>
Capital contributions	-	46,307	896,162	942,469
Transfers in	706	365,840	1,145,052	1,511,598
Transfers out	(271,000)	(433,182)	(36,500)	(740,682)
Change in net position	<u>430,944</u>	<u>185,930</u>	<u>1,625,301</u>	<u>2,242,175</u>
Total net position - beginning	4,924,940	10,763,639	19,335,763	35,024,342
Prior period adjustment	(721,400)	(480,900)	(111,500)	(1,313,800)
Total net position - ending	<u>\$ 4,634,484</u>	<u>\$ 10,468,669</u>	<u>\$ 20,849,564</u>	<u>\$ 35,952,717</u>

CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds			
	Sanitation	Drainage	Airport	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 5,567,090	\$ 2,686,433	\$ 1,170,835	\$ 9,424,358
Disbursed for personnel services	(2,257,991)	(1,320,088)	(383,689)	(3,961,768)
Disbursed for goods and services	(1,915,864)	(385,429)	(492,553)	(2,793,846)
Administrative service charge	(208,736)	(46,967)	(53,650)	(309,353)
Net cash provided (used) by operating activities	1,184,499	933,949	240,943	2,359,391
Cash Flows from Non-Capital Financial Activities:				
Transfers from other funds	706	365,840	1,145,052	1,511,598
Transfers to other funds	(271,000)	(433,182)	(36,500)	(740,682)
Net cash provided (used) by noncapital financing activities	(270,294)	(67,342)	1,108,552	770,916
Cash Flows from Capital and Related Financing Activities:				
Capital grants	-	-	68,904	68,904
Acquisition and construction of capital assets	(732,297)	(556,443)	(1,319,043)	(2,607,783)
Net cash used by capital and related financing activities	(732,297)	(556,443)	(1,250,139)	(2,538,879)
Cash Flows from Investing Activities				
Interest received	3,860	15,113	4,455	23,428
Net cash provided (used) by investing activities	3,860	15,113	4,455	23,428
Net increase (decrease) in cash and equivalents	185,768	325,277	103,811	614,856
Cash and equivalents, beginning of year	811,080	3,069,381	888,935	4,769,396
Cash and equivalents, at end of year	\$ 996,848	\$ 3,394,658	\$ 992,746	\$ 5,384,252
Unrestricted cash and equivalents	996,848	1,364,846	992,746	3,354,440
Restricted cash and equivalents	-	2,029,812	-	2,029,812
	\$ 996,848	\$ 3,394,658	\$ 992,746	\$ 5,384,252
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 737,361	\$ 239,540	\$ (452,772)	\$ 524,129
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	391,041	465,712	886,168	1,742,921
(Increase) decrease in accounts receivable	(91,251)	48,228	(139,595)	(182,618)
(Increase) decrease in inventory	-	-	547	547
(Increase) decrease in prepaid items	(300)	(107,826)	(467)	(108,593)
(Increase) decrease in deferred outflows relating to pension activities	(146,900)	(97,900)	(22,600)	(267,400)
Increase (decrease) in accounts payable	53,329	229,114	(51,192)	231,251
Increase (decrease) in due to other funds	(706)	(69,558)	(19,929)	(90,193)
Increase (decrease) in compensated absences	(26,475)	46,639	(27,711)	(7,547)
Increase (decrease) in deferred revenue	(1,500)	-	26,894	25,394
Increase (decrease) in net pension liability	269,900	180,000	41,600	491,500
Net cash provided by operating activities	\$ 1,184,499	\$ 933,949	\$ 240,943	\$ 2,359,391
Non-cash Transactions:				
Contributed capital	\$ -	\$ 46,307	\$ 896,162	\$ 942,469

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

WATERWORKS SYSTEM

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Reconciling Items</u>	<u>Budgetary Basis</u>	
Revenues						
Charges for services	\$ 18,008,733	\$ 18,008,733	\$ 17,326,455	\$ -	\$ 17,326,455	\$ (682,278)
Total Operating Revenues	<u>18,008,733</u>	<u>18,008,733</u>	<u>17,326,455</u>	<u>-</u>	<u>17,326,455</u>	<u>(682,278)</u>
Operating Expenses						
Personnel services	2,163,455	2,132,451	2,131,912	-	2,131,912	539
Contractual services	1,411,783	1,451,467	1,132,090	-	1,132,090	319,377
Supplies and materials	1,093,713	1,108,854	1,049,999	-	1,049,999	58,855
Surface water contract	9,214,508	9,214,508	5,871,645	2,770,674	8,642,319	572,189
Other expenses	467,677	1,007,644	1,031,265	-	1,031,265	(23,621)
Administration charge	656,252	656,252	656,252	-	656,252	-
Depreciation	-	-	4,474,624	(4,474,624)	-	-
Total Operating Expenses	<u>15,007,388</u>	<u>15,571,176</u>	<u>16,347,787</u>	<u>(1,703,950)</u>	<u>14,643,837</u>	<u>927,339</u>
Operating income (loss)	<u>3,001,345</u>	<u>2,437,557</u>	<u>978,668</u>	<u>1,703,950</u>	<u>2,682,618</u>	<u>245,061</u>
Non-Operating Revenues (Expenses)						
Interest and investment revenue	23,000	23,000	68,225	-	68,225	45,225
Principal expenditure	(1,696,068)	(1,738,619)	-	(1,738,619)	(1,738,619)	-
Gain (loss) on disposal of capital assets	-	-	7,622	-	7,622	7,622
Interest expense	(914,784)	(1,167,267)	(1,080,592)	-	(1,080,592)	86,675
Total Non-operating Revenue (Expenses)	<u>(2,587,852)</u>	<u>(2,882,886)</u>	<u>(1,004,745)</u>	<u>(1,738,619)</u>	<u>(2,743,364)</u>	<u>139,522</u>
Income (loss) before contributions and transfers	413,493	(445,329)	(26,077)	(34,669)	(60,746)	384,583
Transfers in	-	(20,758)	4,453,778	-	4,453,778	4,474,536
Transfers out	(1,913,493)	(1,533,158)	(3,624,141)	-	(3,624,141)	(2,090,983)
Change in net position	<u>(1,500,000)</u>	<u>(1,999,245)</u>	<u>803,560</u>	<u>(34,669)</u>	<u>768,891</u>	<u>2,768,136</u>
Total net position - beginning	70,151,787	70,151,787	70,151,787	-	70,151,787	-
Prior period adjustment	-	-	(633,500)	-	(633,500)	(633,500)
Total net position - ending	<u>\$ 68,651,787</u>	<u>\$ 68,152,542</u>	<u>\$ 70,321,847</u>	<u>\$ (34,669)</u>	<u>\$ 70,287,178</u>	<u>\$ 2,134,636</u>

CITY OF GALVESTON, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

SEWER SYSTEM

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Reconciling Items</u>		<u>Budgetary Basis</u>
Revenues						
Charges for services	\$ 13,033,000	\$ 13,033,000	\$ 11,908,379	\$ -	\$ 11,908,379	\$ (1,124,621)
Total Operating Revenues	<u>13,033,000</u>	<u>13,033,000</u>	<u>11,908,379</u>	<u>-</u>	<u>11,908,379</u>	<u>(1,124,621)</u>
Operating Expenses						
Personnel services	4,649,613	4,568,562	4,288,447	-	4,288,447	280,115
Contractual services	1,703,484	1,779,900	1,659,504	-	1,659,504	120,396
Supplies and materials	1,605,107	1,575,352	1,570,114	-	1,570,114	5,238
Other expenses	492,013	562,519	572,793	-	572,793	(10,274)
Administration charge	400,535	400,535	400,535	-	400,535	-
Depreciation	-	-	2,595,713	(2,595,713)	-	-
Total Operating Expenses	<u>8,850,752</u>	<u>8,886,868</u>	<u>11,087,106</u>	<u>(2,595,713)</u>	<u>8,491,393</u>	<u>395,475</u>
Operating income (loss)	<u>4,182,248</u>	<u>4,146,132</u>	<u>821,273</u>	<u>2,595,713</u>	<u>3,416,986</u>	<u>(729,146)</u>
Non-Operating Revenues (Expenses)						
Intergovernmental revenue	1,000	1,000	-	-	-	(1,000)
Interest and investment revenue	20,000	20,000	86,901	-	86,901	66,901
Principal expenditure	(2,226,920)	(2,269,470)	-	(2,269,470)	(2,269,470)	-
Gain (loss) on disposal of capital assets	-	-	22,696	-	22,696	22,696
Interest expense	(1,123,512)	(1,410,098)	(1,322,069)	-	(1,322,069)	88,029
Total Non-operating Revenue (Expenses)	<u>(3,329,432)</u>	<u>(3,658,568)</u>	<u>(1,212,472)</u>	<u>(2,269,470)</u>	<u>(3,481,942)</u>	<u>176,626</u>
Income (loss) before contributions and transfers	<u>852,816</u>	<u>487,564</u>	<u>(391,199)</u>	<u>326,243</u>	<u>(64,956)</u>	<u>(552,520)</u>
Transfers in	-	-	19,798,997	-	19,798,997	19,798,997
Transfers out	(2,352,816)	(1,984,747)	(2,448,541)	-	(2,448,541)	(463,794)
Change in net position	<u>(1,500,000)</u>	<u>(1,497,183)</u>	<u>16,959,257</u>	<u>326,243</u>	<u>17,285,500</u>	<u>18,782,683</u>
Total net position - beginning	<u>114,015,889</u>	<u>114,015,889</u>	<u>114,015,889</u>	<u>-</u>	<u>114,015,889</u>	<u>-</u>
Prior period adjustment			(1,349,100)	-	(1,349,100)	(1,349,100)
Total net position - ending	<u>\$ 112,515,889</u>	<u>\$ 112,518,706</u>	<u>\$ 129,626,046</u>	<u>\$ 326,243</u>	<u>\$ 129,952,289</u>	<u>\$ 17,433,583</u>

CITY OF GALVESTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
SANITATION SERVICES
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Reconciling Items</u>		<u>Budgetary Basis</u>
Revenues						
Charges for services	\$ 5,237,887	\$ 5,237,887	\$ 5,660,547	\$ -	\$ 5,660,547	\$ 422,660
Total Operating Revenues	<u>5,237,887</u>	<u>5,237,887</u>	<u>5,660,547</u>	<u>-</u>	<u>5,660,547</u>	<u>422,660</u>
Operating Expenses						
Personnel services	2,369,422	2,240,368	2,354,516	-	2,354,516	(114,148)
Contractual services	2,298,348	2,521,757	1,710,354	-	1,710,354	811,403
Supplies and materials	65,882	125,617	125,643	-	125,643	(26)
Other expenses	153,199	159,374	132,896	-	132,896	26,478
Administration charge	208,736	208,736	208,736	-	208,736	-
Depreciation	-	-	391,041	(391,041)	-	-
Total Operating Expenses	<u>5,095,587</u>	<u>5,255,852</u>	<u>4,923,186</u>	<u>(391,041)</u>	<u>4,532,145</u>	<u>723,707</u>
Operating income (loss)	<u>142,300</u>	<u>(17,965)</u>	<u>737,361</u>	<u>391,041</u>	<u>1,128,402</u>	<u>1,146,367</u>
Non-Operating Revenues (Expenses)						
Interest and investment revenue	2,700	2,700	3,860	-	3,860	1,160
Gain (loss) on disposal of capital assets	-	-	(39,983)	-	(39,983)	(39,983)
Total Non-operating Revenue (Expenses)	<u>2,700</u>	<u>2,700</u>	<u>(36,123)</u>	<u>-</u>	<u>(36,123)</u>	<u>(38,823)</u>
Income (loss) before contributions and transfers	<u>145,000</u>	<u>(15,265)</u>	<u>701,238</u>	<u>391,041</u>	<u>1,092,279</u>	<u>1,107,544</u>
Transfers in	90,000	-	706	-	706	706
Transfers out	(235,000)	(235,000)	(271,000)	-	(271,000)	(36,000)
Change in net position	<u>-</u>	<u>(250,265)</u>	<u>430,944</u>	<u>391,041</u>	<u>821,985</u>	<u>1,072,250</u>
Total net position - beginning	<u>4,924,940</u>	<u>4,924,940</u>	<u>4,924,940</u>	<u>-</u>	<u>4,924,940</u>	<u>-</u>
Prior period adjustment	-	-	(721,400)	-	(721,400)	(721,400)
Total net position - ending	<u>\$ 4,924,940</u>	<u>\$ 4,674,675</u>	<u>\$ 4,634,484</u>	<u>\$ 391,041</u>	<u>\$ 5,025,525</u>	<u>\$ 350,850</u>

CITY OF GALVESTON, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

DRAINAGE UTILITY

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Reconciling Items</u>		<u>Budgetary Basis</u>
Revenues						
Charges for services	\$ 2,845,663	\$ 2,845,663	\$ 2,707,763	\$ -	\$ 2,707,763	\$ (137,900)
Total Operating Revenues	<u>2,845,663</u>	<u>2,845,663</u>	<u>2,707,763</u>	<u>-</u>	<u>2,707,763</u>	<u>(137,900)</u>
Operating Expenses						
Personnel services	1,740,639	1,515,090	1,448,827	-	1,448,827	66,263
Contractual services	456,701	421,439	326,987	-	326,987	94,452
Supplies and materials	80,161	66,754	59,833	-	59,833	6,921
Other expenses	102,601	118,902	119,897	-	119,897	(995)
Administration charge	46,967	46,967	46,967	-	46,967	-
Depreciation	-	-	465,712	(465,712)	-	-
Total Operating Expenses	<u>2,427,069</u>	<u>2,169,152</u>	<u>2,468,223</u>	<u>(465,712)</u>	<u>2,002,511</u>	<u>166,641</u>
Operating income (loss)	<u>418,594</u>	<u>676,511</u>	<u>239,540</u>	<u>465,712</u>	<u>705,252</u>	<u>28,741</u>
Non-Operating Revenues (Expenses)						
Interest and investment revenue	3,000	3,000	15,113	-	15,113	12,113
Gain (loss) on disposal of capital assets	-	-	(47,688)	-	(47,688)	(47,688)
Other income	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	<u>3,000</u>	<u>3,000</u>	<u>(32,575)</u>	<u>-</u>	<u>(32,575)</u>	<u>(35,575)</u>
Income (loss) before contributions and transfers	<u>421,594</u>	<u>679,511</u>	<u>206,965</u>	<u>465,712</u>	<u>672,677</u>	<u>(6,834)</u>
Capital contributions	-	-	46,307	(46,307)	-	-
Transfers in	(411,094)	(536,094)	365,840	-	365,840	901,934
Transfers out	(10,500)	(10,500)	(433,182)	-	(433,182)	(422,682)
Change in net position	<u>-</u>	<u>132,917</u>	<u>185,930</u>	<u>419,405</u>	<u>605,335</u>	<u>472,418</u>
Total net position - beginning	<u>10,763,639</u>	<u>10,763,639</u>	<u>10,763,639</u>	<u>-</u>	<u>10,763,639</u>	<u>-</u>
Prior period adjustment	-	-	(480,900)	-	(480,900)	(480,900)
Total net position - ending	<u>\$10,763,639</u>	<u>\$10,896,556</u>	<u>\$10,468,669</u>	<u>\$ 419,405</u>	<u>\$10,888,074</u>	<u>\$ (8,482)</u>

CITY OF GALVESTON, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

AIRPORT

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Reconciling Items</u>		<u>Budgetary Basis</u>
Revenues						
Charges for services	\$ 1,276,496	\$ 1,275,496	\$ 1,303,465	\$ -	\$ 1,303,465	\$ 27,969
Total Operating Revenues	<u>1,276,496</u>	<u>1,275,496</u>	<u>1,303,465</u>	<u>-</u>	<u>1,303,465</u>	<u>27,969</u>
Operating Expenses						
Personnel services	406,600	406,600	374,978	-	374,978	31,622
Contractual services	440,927	409,459	140,075	-	140,075	269,384
Supplies and materials	88,430	90,988	90,045	-	90,045	943
Other expenses	211,504	212,414	211,321	-	211,321	1,093
Administration charge	53,650	53,650	53,650	-	53,650	-
Depreciation	-	-	886,168	(886,168)	-	-
Total Operating Expenses	<u>1,201,111</u>	<u>1,173,111</u>	<u>1,756,237</u>	<u>(886,168)</u>	<u>870,069</u>	<u>303,042</u>
Operating income (loss)	<u>75,385</u>	<u>102,385</u>	<u>(452,772)</u>	<u>886,168</u>	<u>433,396</u>	<u>331,011</u>
Non-Operating Revenues (Expenses)						
Intergovernmental revenue	50,000	50,000	68,904	-	68,904	18,904
Interest and investment revenue	275	275	4,455	-	4,455	4,180
Total Non-operating Revenue (Expenses)	<u>50,275</u>	<u>50,275</u>	<u>73,359</u>	<u>-</u>	<u>73,359</u>	<u>23,084</u>
Income (loss) before contributions and transfers	<u>125,660</u>	<u>152,660</u>	<u>(379,413)</u>	<u>886,168</u>	<u>506,755</u>	<u>354,095</u>
Capital contributions	-	-	896,162	(896,162)	-	-
Transfers in	-	-	1,145,052	-	1,145,052	1,145,052
Transfers out	(6,500)	(36,500)	(36,500)	-	(36,500)	-
Change in net position	<u>119,160</u>	<u>116,160</u>	<u>1,625,301</u>	<u>(9,994)</u>	<u>1,615,307</u>	<u>1,499,147</u>
Total net position - beginning	<u>19,335,763</u>	<u>19,335,763</u>	<u>19,335,763</u>	<u>-</u>	<u>19,335,763</u>	<u>-</u>
Prior period adjustment	-	-	(111,500)	-	(111,500)	(111,500)
Total net position - ending	<u>\$ 19,454,923</u>	<u>\$ 19,451,923</u>	<u>\$ 20,849,564</u>	<u>\$ (9,994)</u>	<u>\$ 20,839,570</u>	<u>\$ 1,387,647</u>

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**CITY OF GALVESTON, TEXAS
INTERNAL SERVICE FUNDS**

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Central Garage – To account for the financing of, garage activities through charges to user departments.

Casualty and Liability Insurance – To account for City casualty and liability insurance costs and financing through charges to user departments.

Central Service – To account for the financing of providing mailing, printing and data processing services to user departments.

Construction Management – To account for the financing of construction project oversight.

Workers' Compensation Insurance – To account for City worker's compensation insurance costs and financing through charges to user departments.

Health and Life Insurance – To account for City health and life insurance costs and financing through charges to user departments.

Separation Pay – To account for the final payout of employees accrued benefits at the separation of employment.

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2015

	Central Garage	Casualty & Liability Insurance	Central Service
Assets			
Current assets:			
Cash and cash equivalents	\$ 553,466	\$ 1,926,582	\$ 656,408
Accounts receivable, net of allowance for doubtful accounts	127,385	-	-
Inventories	219,174	-	2,543
Prepaid items	-	330,577	82,390
Restricted Cash and cash equivalents	-	-	203,459
Total current assets	900,025	2,257,159	944,800
Non-current assets:			
Capital assets (net of depreciation):			
Buildings	-	-	4,783,873
Equipment and furniture	170,414	9,033	478,577
Total non-current assets	170,414	9,033	5,262,450
Total Assets	1,070,439	2,266,192	6,207,250
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	167,984	30,536	58,029
Accrued Interest Payable	-	-	60,240
Total current liabilities	167,984	30,536	118,269
Non-current liabilities:			
Due within one year	-	-	211,382
Due in more than one year	175,247	27,590	3,721,976
Total non-current liabilities	175,247	27,590	3,933,358
Total Liabilities	343,231	58,126	4,051,627
Net Position			
Investment in capital assets	170,414	9,033	5,262,450
Unrestricted	556,794	2,199,033	(3,106,827)
Total Net Position	\$ 727,208	\$ 2,208,066	\$ 2,155,623

<u>Construction Management</u>	<u>Workers Compensation Insurance</u>	<u>Health and Life Insurance</u>	<u>Separation Pay</u>	<u>Total</u>
\$ 98,708	\$ 1,795,544	\$ 3,930,911	\$ 40,236	\$9,001,855
-	-	-	-	127,385
-	-	-	-	221,717
-	-	-	-	412,967
-	-	-	-	203,459
<u>98,708</u>	<u>1,795,544</u>	<u>3,930,911</u>	<u>40,236</u>	<u>9,967,383</u>
-	-	-	-	4,783,873
-	-	-	-	658,024
-	-	-	-	5,441,897
<u>98,708</u>	<u>1,795,544</u>	<u>3,930,911</u>	<u>40,236</u>	<u>15,409,280</u>
364	21,430	-	-	278,343
-	-	-	-	60,240
<u>364</u>	<u>21,430</u>	<u>-</u>	<u>-</u>	<u>338,583</u>
-	226,568	-	-	437,950
<u>92,599</u>	<u>554,321</u>	<u>3,791,037</u>	<u>-</u>	<u>8,362,770</u>
<u>92,599</u>	<u>780,889</u>	<u>3,791,037</u>	<u>-</u>	<u>8,800,720</u>
<u>92,963</u>	<u>802,319</u>	<u>3,791,037</u>	<u>-</u>	<u>9,139,303</u>
-	-	-	-	5,441,897
<u>5,745</u>	<u>993,225</u>	<u>139,874</u>	<u>40,236</u>	<u>828,080</u>
<u>\$ 5,745</u>	<u>\$ 993,225</u>	<u>\$ 139,874</u>	<u>\$ 40,236</u>	<u>\$6,269,977</u>

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2015

	Central Garage	Casualty & Liability Insurance	Central Service
Revenues			
Charges for services	\$ 4,216,515	\$ 2,142,787	\$2,506,833
Total operating revenues	<u>4,216,515</u>	<u>2,142,787</u>	<u>2,506,833</u>
Operating Expenses			
Personnel services	1,185,817	134,809	1,094,973
Contractual services	399,020	25,298	537,197
Supplies and materials	2,369,279	4,593	222,684
Insurance claims and premiums	-	1,518,190	-
Other expenses	457,690	1,949	34,672
Depreciation	18,115	13,550	350,773
Total operating expenses	<u>4,429,921</u>	<u>1,698,389</u>	<u>2,240,299</u>
Operating income (loss)	<u>(213,406)</u>	<u>444,398</u>	<u>266,534</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	3,816	6,787	3,410
Insurance proceeds	64,684	-	-
Interest expense	-	-	(185,746)
Gain (loss) on disposal of capital assets	10,887	-	(2,053)
Total non-operating revenue (expenses)	<u>79,387</u>	<u>6,787</u>	<u>(184,389)</u>
Income (loss) before transfers	(134,019)	451,185	82,145
Transfers in	-	-	238
Change in net position	<u>(134,019)</u>	<u>451,185</u>	<u>82,383</u>
Total net position - beginning	1,724,743	1,756,881	2,073,240
Prior period adjustment	(863,516)	-	-
Total net position - ending	<u>\$ 727,208</u>	<u>\$ 2,208,066</u>	<u>\$2,155,623</u>

Construction Management	Workers Compensation Insurance	Health and Life Insurance	Separation Pay	Total
\$ 49,295	\$ 726,173	\$ 5,595,386	\$ -	\$ 15,236,989
49,295	726,173	5,595,386	-	15,236,989
5,402	-	-	-	2,421,001
28,328	-	-	-	989,843
5,310	-	-	-	2,601,866
-	328,056	6,041,154	717,663	8,605,063
10,255	1,978	353,126	-	859,670
-	-	-	-	382,438
49,295	330,034	6,394,280	717,663	15,859,881
-	396,139	(798,894)	(717,663)	(622,892)
-	7,244	20,073	-	41,330
-	-	-	-	64,684
-	-	-	-	(185,746)
-	-	-	-	8,834
-	7,244	20,073	-	(70,898)
-	403,383	(778,821)	(717,663)	(693,790)
-	-	-	719,400	719,638
-	403,383	(778,821)	1,737	25,848
5,745	589,842	918,695	38,499	7,107,645
-	-	-	-	(863,516)
\$ 5,745	\$ 993,225	\$ 139,874	\$ 40,236	\$ 6,269,977

CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2015

	<u>Central Garage</u>	<u>Casualty & Liability Insurance</u>	<u>Central Service</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	4,267,530	2,144,793	2,506,833
Disbursed for personnel services	(1,156,841)	(132,129)	(1,113,064)
Disbursed for goods and services	<u>(3,197,263)</u>	<u>(1,625,573)</u>	<u>(882,336)</u>
Net cash provided (used) by operating activities	(86,574)	387,091	511,433
Cash Flows from Non-Capital Financing Activities:			
Transfers from other funds	-	-	-
Net cash provided by (used by) noncapital financing activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the sale of equipment	10,887	-	(2,053)
Insurance proceeds	64,684	-	-
Principal payments on debt	(863,516)	-	(201,810)
Interest payments on debt	-	-	(1,801)
Acquisition and construction of capital assets	<u>(90,816)</u>	-	<u>(181,277)</u>
Net cash used by capital and related financing activities	(878,761)	-	(386,941)
Cash Flows from Investing Activities			
Interest received	3,816	6,788	3,412
Interest paid	-	-	(185,746)
Net cash provided by (used by) investing activities	3,816	6,788	(182,334)
Net increase/(decrease) in cash and equivalents	(961,519)	393,879	(57,842)
Cash and equivalents, beginning of year	<u>1,514,985</u>	<u>1,532,703</u>	<u>917,709</u>
Cash and equivalents, at end of year	<u>553,466</u>	<u>1,926,582</u>	<u>859,867</u>
Unrestricted cash and equivalents	553,466	1,926,582	656,408
Restricted cash and equivalents	-	-	203,459
	<u>553,466</u>	<u>1,926,582</u>	<u>859,867</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	(213,406)	444,398	266,534
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	18,115	13,550	350,773
(Increase) decrease in accounts receivable	51,015	2,006	-
(Increase) decrease in inventory	(23,362)	-	505
(Increase) decrease in prepaid expenses	-	(2,591)	(82,390)
Increase (decrease) in accounts payable	52,088	(72,952)	(5,898)
Increase (decrease) in compensated absences payable	<u>28,976</u>	<u>2,680</u>	<u>(18,091)</u>
Net cash provided by operating activities	<u>\$ (86,574)</u>	<u>\$ 387,091</u>	<u>\$ 511,433</u>

Construction Management	Workers Compensation Insurance	Health and Life Insurance	Separation Pay	Total
49,295	726,173	5,615,635	-	15,310,259
(2)	-	-	-	(2,402,036)
<u>(43,832)</u>	<u>(316,847)</u>	<u>(6,212,639)</u>	<u>(717,663)</u>	<u>(12,996,153)</u>
5,461	409,326	(597,004)	(717,663)	(87,930)
-	-	-	719,400	719,400
-	-	-	719,400	719,400
-	-	-	-	8,834
-	-	-	-	64,684
-	-	-	-	(1,065,326)
-	-	-	-	(1,801)
-	-	-	-	(272,093)
-	-	-	-	(1,265,702)
-	7,244	20,073	-	41,333
-	-	-	-	(185,746)
-	7,244	20,073	-	(144,413)
5,461	416,570	(576,931)	1,737	(778,645)
93,247	1,378,974	4,507,842	38,499	9,983,959
<u>98,708</u>	<u>1,795,544</u>	<u>3,930,911</u>	<u>40,236</u>	<u>9,205,314</u>
98,708	1,795,544	3,930,911	40,236	9,001,855
-	-	-	-	203,459
<u>98,708</u>	<u>1,795,544</u>	<u>3,930,911</u>	<u>40,236</u>	<u>9,205,314</u>
-	396,139	(798,894)	(717,663)	(622,892)
-	-	-	-	382,438
-	-	20,249	-	73,270
-	-	-	-	(22,857)
-	-	-	-	(84,981)
61	13,187	181,641	-	168,127
5,400	-	-	-	18,965
<u>\$ 5,461</u>	<u>\$ 409,326</u>	<u>\$ (597,004)</u>	<u>\$ (717,663)</u>	<u>\$ (87,930)</u>

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FIDUCIARY FUNDS

To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These funds include Pension Trust and Agency Funds.

Pension Trust – To account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. These funds are reported on a calendar year basis for the year ended December 31, 2014.

Agency – Custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF GALVESTON, TEXAS
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2014

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 1,301,768	\$ 1,301,768
Receivables				
Interest and dividends	99,736	43,543	10,104	153,383
Loans to participants	181,879	-	-	181,879
Investments				
Money market funds	446,853	986,191	-	1,433,044
U.S. Government agencies	1,000,168	-	-	1,000,168
Bonds	2,873,421	-	-	2,873,421
Common stocks	7,031,526	16,823,963	16,128,443	39,983,932
Equity mutual funds	8,381,166	11,644,546	9,602,289	29,628,001
Bond mutual funds	2,413,064	15,270,837	9,968,608	27,652,509
Alternative investments	-	-	4,314,123	4,314,123
Real estate	-	-	24,484	24,484
Prepaid items	-	-	8,511	8,511
Total Assets	<u>22,427,813</u>	<u>44,769,080</u>	<u>41,358,330</u>	<u>108,555,223</u>
Liabilities				
Accounts payable	24,787	23,848	3,681	52,316
Total Liabilities	<u>24,787</u>	<u>23,848</u>	<u>3,681</u>	<u>52,316</u>
Net Position				
Held in trust for benefits and other purposes	22,403,026	44,745,232	41,354,649	108,502,907
Total Net Position	<u>\$ 22,403,026</u>	<u>\$ 44,745,232</u>	<u>\$ 41,354,649</u>	<u>\$ 108,502,907</u>

CITY OF GALVESTON, TEXAS

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

December 31, 2014

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Additions				
Contributions:				
Employer	\$ 1,240,469	\$ 1,836,025	\$ 986,610	4,063,104
Plan members	1,240,469	1,224,018	1,127,549	3,592,036
Total contributions	2,480,938	3,060,043	2,114,159	7,655,140
Investment Earnings:				
Net increase in fair value of investments	654,317	996,451	912,245	2,563,013
Interest and dividends	598,381	1,063,118	759,387	2,420,886
Less investment expenses	(151,555)	(256,160)	(185,285)	(593,000)
Net investment income	1,101,143	1,803,409	1,486,347	4,390,899
Total Additions	3,582,081	4,863,452	3,600,506	12,046,039
Deductions				
Benefits paid to members and beneficiaries	3,808,422	3,820,447	2,940,066	10,568,935
Refunds of contributions	-	-	211,157	211,157
Administrative expenses	85,937	123,414	133,008	342,359
Total Deductions	3,894,359	3,943,861	3,284,231	11,122,451
Change in net position	(312,278)	919,591	316,275	923,588
Net position, beginning of year	22,715,304	43,825,641	41,038,374	107,579,319
Net position, end of year	\$ 22,403,026	\$ 44,745,232	\$ 41,354,649	\$ 108,502,907

CITY OF GALVESTON, TEXAS

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

September 30, 2015

	<u>September 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2015</u>
Assets				
Cash and temporary investments	\$ 1,361,907	\$ -	\$ (398,109)	\$ 963,798
Total Assets	<u>\$ 1,361,907</u>	<u>\$ -</u>	<u>\$ (398,109)</u>	<u>\$ 963,798</u>
Liabilities				
Accounts payable and other current liabilities	\$ 5,060	\$ 1,815	\$ -	\$ 6,875
Refunds payable and others	1,356,847	-	(399,924)	956,923
Total Liabilities	<u>\$ 1,361,907</u>	<u>\$ 1,815</u>	<u>\$ (399,924)</u>	<u>\$ 963,798</u>

MAJOR DISCRETELY PRESENTED COMPONENT UNITS

The following discretely presented component units represent major component units. For reporting purposes, the City considers a component unit to be major if its assets, liabilities, revenue or expenses exceed 10% of that component unit's class and exceed 5% of all component units combined.

CITY OF GALVESTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2015

	Park Board of Trustees	Galveston Island Redevelopme nt Authority	Campeche Shores - Public Improvement District No. 1
Assets			
Cash and cash equivalents	\$ 8,882,632	\$ 7,985,805	\$ -
Investments	2,018,596	298,555	-
Accounts receivable, net of allowance for doubtful accounts	1,723,112	-	77,773
Inventories	16,897	-	-
Prepaid items	274,321	-	-
Restricted cash and temporary investments	-	-	-
Net investment in direct financing and capital leases - non-current	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets (net of accumulated depreciation)	341,191,708	-	-
Total Assets	354,107,266	8,284,360	77,773
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	4,009,593	3,156,479	-
Due to other governments	451,957	-	-
Interest payable	-	-	-
Deferred revenue	13,500	-	-
Total current liabilities	4,475,050	3,156,479	-
Non-current liabilities:			
Due within one year	1,061,441	500,000	-
Due in more than one year	4,757,270	20,802,110	-
Total non-current liabilities	5,818,711	21,302,110	-
Total Liabilities	10,293,761	24,458,589	-
Deferred Inflows of Resources			
Deferred gain on refunding	-	-	-
Total Deferred Inflows of Resources	-	-	-
Net Position			
Net investment in capital assets	335,398,329	-	-
Restricted:			
Debt service	752,704	1,204,836	-
Unrestricted	7,662,472	(17,379,065)	77,773
Total Net Position	\$ 343,813,505	\$ (16,174,229)	\$ 77,773

* The entity has a December 31, 2014 year-end.

Beachside Village - Public Improvement District	Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Galveston Housing Finance Corporation*	Galveston Property Finance Authority*	Total Component Units
\$ -	\$ 2,322,151	\$ 8,949,001	\$ 190,509	\$ 65,746	\$ 28,395,844
-	-	-	-	-	2,317,151
4,458	-	11,623,877	85,348	85,348	13,599,916
-	-	-	-	-	16,897
-	-	716,784	-	-	991,105
-	-	34,491,857	-	-	34,491,857
-	-	2,256,990	-	-	2,256,990
-	5,777,284	35,283,954	-	-	41,061,238
-	-	101,264,089	-	670,990	443,126,787
<u>4,458</u>	<u>8,099,435</u>	<u>194,586,552</u>	<u>275,857</u>	<u>822,084</u>	<u>566,257,785</u>
-	14,050	5,564,578	85,348	1,500	12,831,548
-	-	187,302	-	-	639,259
-	-	918,398	-	-	918,398
-	-	-	-	-	13,500
<u>-</u>	<u>14,050</u>	<u>6,670,278</u>	<u>85,348</u>	<u>1,500</u>	<u>14,402,705</u>
-	-	4,531,868	-	-	6,093,309
<u>-</u>	<u>9,458,292</u>	<u>56,185,777</u>	<u>-</u>	<u>-</u>	<u>91,203,449</u>
<u>-</u>	<u>9,458,292</u>	<u>60,717,645</u>	<u>-</u>	<u>-</u>	<u>97,296,758</u>
<u>-</u>	<u>9,472,342</u>	<u>67,387,923</u>	<u>85,348</u>	<u>1,500</u>	<u>111,699,463</u>
-	-	142,594	-	-	142,594
<u>-</u>	<u>-</u>	<u>142,594</u>	<u>-</u>	<u>-</u>	<u>142,594</u>
-	-	106,323,197	-	670,990	442,392,516
-	-	6,360,062	-	-	8,317,602
<u>4,458</u>	<u>(1,372,907)</u>	<u>14,372,776</u>	<u>190,509</u>	<u>149,594</u>	<u>3,705,610</u>
<u>\$ 4,458</u>	<u>\$ (1,372,907)</u>	<u>\$ 127,056,035</u>	<u>\$ 190,509</u>	<u>\$ 820,584</u>	<u>\$ 454,415,728</u>

CITY OF GALVESTON, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Galveston Island Redevelopme nt Authority
		Charges for Services	Capital Grants and Contributions	Park Board of Trustees	
Component Unit:					
Park Board of Trustees	\$ 37,205,601	\$ 8,878,699	\$ 17,892,170	\$ (10,434,732)	\$ -
Galveston Island Redevelopment Authority	4,038,061	-	-	-	(4,038,061)
Campeche Shores - Public Improvement District No. 1	91,243	-	-	-	-
Beachside Village - Public Improvement District	82,166	-	-	-	-
Bayside at Waterman's - Public Improvement District	1,377,178	-	-	-	-
Board of Trustees of Galveston Wharves*	29,740,573	27,711,092	2,263,814	-	-
Galveston Housing Finance Corporation*	29,976	-	-	-	-
Galveston Property Finance Authority*	185,257	54,571	-	-	-
	<u>\$ 72,750,055</u>	<u>\$ 36,644,362</u>	<u>\$ 20,155,984</u>	<u>(10,434,732)</u>	<u>(4,038,061)</u>

General revenues and extraordinary items

Taxes:					
Property taxes				-	3,536,061
Hotel occupancy taxes				9,916,863	-
Miscellaneous				-	-
Unrestricted investment earnings				4,721	3,259
Capital asset contributions				-	-
Extraordinary item - Hurricane Ike clean up and repair				-	-
Transfers				(407,445)	-
Total general revenues and extraordinary items				<u>9,514,139</u>	<u>3,539,320</u>
Change in net position				(920,593)	(498,741)
Net position - beginning				<u>344,734,098</u>	<u>(15,675,488)</u>
Net position - ending				<u>\$ 343,813,505</u>	<u>\$ (16,174,229)</u>

* The entity has a December 31, 2014 year-end.

Net (Expense) Revenue and Changes in Net Position

Campeche Shores - Public Improvement District No. 1	Beachside Village - Public Improvement District	Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Galveston Housing Finance Corporation*	Galveston Property Finance Authority*	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,434,732)
-	-	-	-	-	-	(4,038,061)
(91,243)	-	-	-	-	-	(91,243)
-	(82,166)	-	-	-	-	(82,166)
-	-	(1,377,178)	-	-	-	(1,377,178)
-	-	-	234,333	-	-	234,333
-	-	-	-	(29,976)	-	(29,976)
-	-	-	-	-	(130,686)	(130,686)
<u>(91,243)</u>	<u>(82,166)</u>	<u>(1,377,178)</u>	<u>234,333</u>	<u>(29,976)</u>	<u>(130,686)</u>	<u>(15,949,709)</u>
76,475	77,946	-	-	-	-	3,690,482
-	-	-	-	-	-	9,916,863
-	22,033	-	-	58,757	7,342	88,132
-	-	4,271	225,800	611	7,466	246,128
-	-	-	-	-	-	-
-	-	-	(1,963,657)	-	-	(1,963,657)
-	-	-	-	-	-	(407,445)
<u>76,475</u>	<u>99,979</u>	<u>4,271</u>	<u>(1,737,857)</u>	<u>59,368</u>	<u>14,808</u>	<u>11,570,503</u>
<u>(14,768)</u>	<u>17,813</u>	<u>(1,372,907)</u>	<u>(1,503,524)</u>	<u>29,392</u>	<u>(115,878)</u>	<u>(4,379,206)</u>
<u>92,541</u>	<u>(13,355)</u>	<u>-</u>	<u>128,559,559</u>	<u>161,117</u>	<u>936,462</u>	<u>458,794,934</u>
<u>\$ 77,773</u>	<u>\$ 4,458</u>	<u>\$ (1,372,907)</u>	<u>\$ 127,056,035</u>	<u>\$ 190,509</u>	<u>\$ 820,584</u>	<u>\$ 454,415,728</u>

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CITY OF GALVESTON, TEXAS
UNAUDITED STATISTICAL SECTION

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

	Page
Financial Trends	124
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
Revenue Capacity	134
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
Debt Capacity	140
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	144
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	147
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

CITY OF GALVESTON, TEXAS**NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)**(Unaudited)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities				
Net investment in capital assets	\$ 25,631	\$ 37,327	\$ 49,273	\$ 49,607
Restricted	10,791	18,757	19,950	25,689
Unrestricted	11,081	5,912	6,113	18,853
Total governmental activities net position	<u>\$ 47,503</u>	<u>\$ 61,996</u>	<u>\$ 75,336</u>	<u>\$ 94,149</u>
Business-type Activities				
Net investment in capital assets	\$ 71,492	\$ 73,991	\$ 64,348	\$ 65,039
Restricted	9,502	10,327	11,053	7,173
Unrestricted	5,817	13,967	12,364	24,354
Total business-type net position	<u>\$ 86,811</u>	<u>\$ 98,285</u>	<u>\$ 87,765</u>	<u>\$ 96,566</u>
Primary government				
Net investment in capital assets	\$ 97,123	\$ 111,318	\$ 113,621	\$ 114,646
Restricted	20,293	29,084	31,003	32,863
Unrestricted	16,898	19,879	18,477	43,206
Total primary government net position	<u>\$ 134,314</u>	<u>\$ 160,281</u>	<u>\$ 163,101</u>	<u>\$ 190,715</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 98,300	\$ 98,510	\$ 90,856	\$ 102,988	\$ 110,071	\$ 110,739
26,256	25,326	25,670	22,388	26,170	23,285
26,157	10,861	31,737	33,857	30,237	(2,299)
<u>\$150,713</u>	<u>\$134,697</u>	<u>\$148,263</u>	<u>\$159,233</u>	<u>\$166,478</u>	<u>\$131,725</u>
\$ 79,051	\$ 99,989	\$ 80,157	\$ 181,656	\$ 181,656	\$ 178,032
10,949	11,886	11,920	21,326	21,326	18,097
20,713	22,183	70,504	18,221	18,220	41,671
<u>\$110,713</u>	<u>\$134,058</u>	<u>\$162,582</u>	<u>\$221,202</u>	<u>\$221,202</u>	<u>\$237,800</u>
\$ 177,351	\$ 198,499	\$ 171,013	\$ 284,644	\$ 291,727	\$ 288,771
37,205	37,212	37,590	43,714	47,496	41,382
46,870	33,044	102,240	52,078	48,457	39,372
<u>\$261,426</u>	<u>\$268,755</u>	<u>\$310,844</u>	<u>\$380,435</u>	<u>\$387,680</u>	<u>\$369,525</u>

CITY OF GALVESTON, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental Activities:				
General government	\$ 4,924	\$ 5,166	\$ 5,307	\$ 5,742
Public Safety	24,876	27,040	32,145	29,390
Public works	5,113	5,990	12,735	69,234
Culture and recreation	7,025	8,258	9,020	10,764
Planning and community development	4,202	4,483	4,936	4,237
Transportation system	4,269	5,552	4,548	5,120
Interest on long-term debt	3,649	3,096	2,839	2,757
Total governmental activities expenses	54,058	59,585	71,530	127,244
Business-Type Activities:				
Waterworks	11,850	12,999	13,350	13,060
Sewer system	9,229	11,536	10,806	9,900
Sanitation	3,541	3,781	3,808	3,907
Drainage	1,342	1,312	1,651	1,700
Airport	1,128	1,201	1,185	1,073
Golf course	1,028	333	-	-
Total business-type activities expenses	28,118	31,162	30,800	29,640
Total primary government expenses	82,176	90,747	102,330	156,884
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	1,322	1,400	1,552	1,628
Public safety	2,739	3,133	3,338	2,595
Public works	20	21	37	30
Culture and recreation	6	407	166	8
Planning and community development	2,231	1,620	1,119	1,890
Transportation system	698	939	697	461
Operating grants and contributions:				
General government	-	-	-	489
Public safety	956	487	312	1,646
Public works	-	-	-	76,730
Culture and recreation	83	767	936	980
Planning and community development	2,199	2,021	2,244	1,653
Transportation system	2,396	2,455	3,136	3,034
Capital grants and contributions:				
General government	-	-	-	316
Public safety	-	-	5,086	-
Public works	-	-	10,752	-
Culture and recreation	-	9,557	8,656	2
Planning and community development	-	-	-	-
Transportation system	1,575	1,735	1,501	448
Total governmental activities program revenues	14,225	24,542	39,532	91,910
Business-Type Activities				
Charges for services:				
Waterworks	14,173	14,309	14,640	14,168
Sewer system	11,395	12,799	12,259	11,082
Sanitation	4,240	4,587	4,360	3,888
Drainage	2,710	2,800	2,691	2,418
Airport	937	1,071	960	783
Golf course	827	189	-	-
Capital grants and contributions:				
Airport	-	-	-	-
Capital grants and contributions:				
Waterworks	-	-	-	-
Sewer system	-	-	-	-
Drainage	-	-	-	-
Airport	2,680	6,065	1,925	2,253
Total business-type activities program revenues	36,962	41,820	36,835	34,592
Total primary government program revenues	51,187	66,362	76,367	126,502
Net (Expense) Revenue				
Governmental activities	(39,833)	(35,043)	(31,998)	(35,334)
Business-type activities	8,844	10,658	6,035	4,952
Total primary government net expense	\$ (30,989)	\$ (24,385)	\$ (25,963)	\$ (30,382)

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 8,484	\$ 7,413	\$ 5,164	\$ 6,874	\$ 7,864	8,284
29,180	27,056	26,919	28,075	29,542	32,840
25,590	23,631	6,925	6,847	6,504	6,570
8,289	8,820	9,672	9,082	11,300	12,240
7,902	31,723	12,942	11,972	5,246	8,799
5,347	4,649	24,150	8,164	6,804	8,424
2,868	2,555	4,909	1,716	2,160	1,896
<u>87,660</u>	<u>105,847</u>	<u>90,681</u>	<u>72,730</u>	<u>69,420</u>	<u>79,050</u>
14,165	15,519	14,001	13,990	15,402	17,416
11,202	11,058	10,991	11,669	11,505	5,078
3,999	4,108	4,176	4,382	4,781	2,537
1,737	1,750	1,959	1,873	2,356	12,444
1,127	1,496	1,468	1,499	1,579	1,709
-	-	-	-	-	-
<u>32,230</u>	<u>33,931</u>	<u>32,595</u>	<u>33,412</u>	<u>35,623</u>	<u>39,184</u>
<u>119,890</u>	<u>139,778</u>	<u>123,276</u>	<u>106,142</u>	<u>105,043</u>	<u>118,234</u>
1,717	1,841	2,159	1,884	1,873	1,977
2,310	3,030	2,554	2,417	2,246	2,113
50	318	-	-	-	-
2	1	2	2	-	-
1,282	1,441	1,379	1,402	1,845	2,002
508	650	840	1,575	1,875	1,365
3,336	176	-	-	-	52
5,234	537	181	249	254	279
37,424	281	-	-	-	-
963	734	116	139	180	103
5,069	25,706	31,006	11,119	9,067	1,958
6,749	3,015	2,771	2,789	3,559	3,580
-	-	-	-	-	2,396
-	-	-	-	-	619
25,298	10,247	1,718	71	13	2,323
23	3	-	-	-	36
-	12,398	23,385	27,313	24,112	23,824
2,934	1,392	3,525	3,858	799	5,424
<u>92,899</u>	<u>61,770</u>	<u>69,636</u>	<u>52,818</u>	<u>45,822</u>	<u>48,051</u>
14,988	16,132	16,834	17,482	17,510	17,036
11,523	12,108	12,365	12,968	13,015	5,661
4,257	4,247	4,655	5,088	5,617	2,708
2,567	2,507	2,517	2,564	2,584	11,908
1,312	804	1,186	1,236	1,230	1,594
-	-	-	-	-	-
-	-	-	-	-	69
-	-	501	-	-	-
-	-	1,127	-	-	-
-	-	330	-	-	46
<u>11,964</u>	<u>2,700</u>	<u>2,413</u>	<u>26</u>	<u>999</u>	<u>896</u>
<u>46,611</u>	<u>38,498</u>	<u>41,928</u>	<u>39,363</u>	<u>40,955</u>	<u>39,918</u>
<u>139,510</u>	<u>100,268</u>	<u>111,564</u>	<u>92,181</u>	<u>86,777</u>	<u>87,969</u>
5,239	(44,077)	(21,045)	(19,912)	(23,598)	(30,999)
14,381	4,567	9,333	5,951	5,332	734
<u>\$ 19,620</u>	<u>\$ (39,510)</u>	<u>\$ (11,712)</u>	<u>\$ (13,962)</u>	<u>\$ (18,266)</u>	<u>\$ (30,265)</u>

CITY OF GALVESTON, TEXAS
CHANGES IN NET POSITION (continued)
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property taxes	\$ 15,480	\$ 16,333	\$ 18,640	\$ 19,718
Sales and use taxes	16,850	17,498	17,747	18,588
Hotel occupancy taxes	4,122	4,619	4,958	3,742
Franchise taxes	5,149	5,375	5,450	4,807
Payments in lieu of taxes	655	737	126	120
Unrestricted investment earnings	1,650	2,439	1,483	219
Miscellaneous	669	844	224	418
Loss of assets due to Hurricane Ike	-	-	(2,022)	-
Impairment of capital assets due to Hurricane Ike	-	-	(1,867)	1,112
Insurance proceeds	-	-	-	4,863
Transfers	500	1,690	600	562
Total governmental activities	45,075	49,535	45,339	54,149
Business-Type Activities:				
Net (loss) gain on sale of asset	(271)	2,454	1,805	877
Unrestricted investment earnings	1,755	52	136	28
Miscellaneous	170	-	-	-
Impairment of capital assets due to Hurricane Ike	-	-	(17,897)	-
Insurance proceeds	-	-	-	3,509
Transfers	(500)	(1,690)	(600)	(562)
Total business-type activities	1,154	816	(16,556)	3,852
Total primary government	46,229	50,351	28,783	58,001
Changes in Net Position:				
Governmental activities	5,242	14,492	13,341	18,815
Business-type activities	9,998	11,474	(10,521)	8,804
Total primary government	\$ 15,240	\$ 25,966	\$ 2,820	\$ 27,619

Fiscal Year						
	2010	2011	2012	2013	2014	2015
\$	18,270	\$ 20,087	\$ 21,489	\$ 21,988	\$ 22,920	\$ 23,272
	15,705	16,589	17,712	18,638	19,978	20,588
	4,058	4,722	5,507	5,500	6,092	7,068
	4,756	5,009	5,073	5,043	5,267	5,245
	120	120	119	125	165	207
	115	89	122	179	120	299
	438	1,113	3,418	2,535	927	512
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,170	-	-	-	-	7,111
	695	(18,863)	(18,830)	(23,124)	(23,601)	(18,951)
	<u>51,327</u>	<u>28,866</u>	<u>34,610</u>	<u>30,884</u>	<u>31,868</u>	<u>45,351</u>
	169	-	-	-	-	-
	106	155	132	153	54	179
	-	158	228	4,075	165	30
	(34)	-	-	-	-	-
	220	-	-	-	-	-
	(695)	18,863	18,830	23,124	23,601	18,951
	<u>(234)</u>	<u>19,176</u>	<u>19,190</u>	<u>27,352</u>	<u>23,821</u>	<u>19,160</u>
	<u>51,093</u>	<u>48,042</u>	<u>53,800</u>	<u>58,236</u>	<u>55,689</u>	<u>64,511</u>
	56,566	(15,211)	13,565	10,972	8,270	14,352
	14,147	23,743	28,523	33,303	29,153	19,894
\$	<u>70,713</u>	<u>\$ 8,532</u>	<u>\$ 42,088</u>	<u>\$ 44,274</u>	<u>\$ 37,423</u>	<u>\$ 34,246</u>

CITY OF GALVESTON, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
General fund				
Nonspendable:				
Inventories	\$ -	\$ 8,255	\$ -	\$ -
Prepaid items	206,920	190,081	86,688	100,407
Restricted:				
Debt service	-	-	-	-
Committed:				
Emergency reserves	2,053,226	2,425,226	2,625,226	2,825,226
Other	-	-	-	-
Assigned	-	-	-	-
Unassigned	9,840,129	11,227,881	11,421,882	13,751,737
Total General fund	<u>\$12,100,275</u>	<u>\$13,851,443</u>	<u>\$14,133,796</u>	<u>\$16,677,370</u>
 All other governmental funds				
Nonspendable:				
Inventories	\$ 255,735	\$ 311,042	\$ 363,026	\$ 363,212
Prepaid items	-	-	-	-
Restricted:				
Debt service	6,663,217	6,819,760	7,044,374	7,603,944
Beach preservation	-	-	-	-
Capital projects	14,555,199	16,204,348	14,130,090	14,662,428
Grants	-	-	-	-
Other	166,257	175,307	69,031	176,765
Convention Center Operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Other	1,447,555	1,512,171	1,492,648	1,552,638
Assigned	849,133	465,327	(127,495)	33,210,416
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$23,937,096</u>	<u>\$25,487,955</u>	<u>\$22,971,674</u>	<u>\$57,569,403</u>

Note: In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
101,738	88,521	49,626	47,206	85,379	92,764
-	-	363,296	363,296	2,519,528	-
3,025,226	3,225,226	3,425,226	3,575,226	3,575,226	3,575,226
-	363,296	-	-	-	-
-	176,999	-	-	-	-
8,580,214	6,588,090	12,939,901	14,751,167	13,706,159	14,989,479
<u>\$ 11,707,178</u>	<u>\$ 10,442,132</u>	<u>\$ 16,778,049</u>	<u>\$ 18,736,895</u>	<u>\$ 19,886,292</u>	<u>\$ 18,657,469</u>
\$ 193,611	\$ 151,858	\$ 148,976	\$ 162,672	\$ 259,579	\$ 264,300
-	-	-	-	-	249,875
7,643,345	8,447,339	12,515,705	12,749,073	6,634,959	5,139,884
-	-	4,921,580	968,854	3,228,192	864,030
16,854,667	29,207,678	15,276,707	21,195,867	20,634,660	26,858,694
-	-	8,782,571	8,775,316	10,143,558	10,128,787
287,163	-	-	-	-	-
-	-	-	-	3,821,514	4,066,682
-	-	-	-	2,815,873	3,375,562
2,680,920	2,145,641	1,834,852	1,353,703	1,633,932	7,517,189
30,831,813	-	-	-	-	-
-	(147,964)	(188,367)	(138,902)	(109,360)	(241,400)
<u>\$ 58,491,519</u>	<u>\$ 39,804,552</u>	<u>\$ 43,292,024</u>	<u>\$ 45,066,583</u>	<u>\$ 49,062,907</u>	<u>\$ 58,223,603</u>

CITY OF GALVESTON, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes:				
Property taxes	\$ 15,570,356	\$ 16,200,093	\$ 18,647,994	\$ 19,530,352
Sales and use taxes	20,971,554	22,116,284	22,704,813	22,329,682
Franchise taxes	5,148,416	5,374,681	5,450,345	4,806,846
Licenses and permits	1,577,415	1,334,749	1,000,361	1,784,222
Fines and forfeitures	1,828,036	2,466,285	2,601,586	2,326,075
Charges for services	3,533,981	3,686,864	2,838,980	2,075,934
Investment earnings	1,523,724	2,234,647	1,378,287	414,544
Intergovernmental	7,185,304	6,893,575	16,654,859	83,977,409
Other	791,144	1,407,875	1,567,770	1,427,391
Payments in lieu of taxes	655,190	736,824	125,880	119,753
Total Revenues	58,785,120	62,451,877	72,970,875	138,792,208
Expenditures				
General government	5,005,095	5,044,120	5,482,693	5,934,113
Public safety	23,518,717	25,262,076	31,028,485	28,674,367
Highways and roads	3,152,531	3,356,179	9,479,789	66,170,885
Culture and recreation	6,071,320	6,826,276	7,816,000	8,800,651
Planning and community development	3,762,075	4,330,446	3,531,916	3,293,090
Transportation	4,355,966	4,892,519	5,022,723	4,418,959
Capital outlay	3,473,537	5,437,402	8,027,872	7,223,020
Debt Service:				
Principal	2,638,390	2,376,618	1,976,368	2,048,866
Interest and other charges	3,321,250	3,225,640	3,501,027	3,451,105
Total Expenditures	55,298,881	60,751,276	75,866,873	130,015,056
Excess of revenues over (under) expenditures	3,486,239	1,700,601	(2,895,998)	8,777,152
Other Financing Sources (Uses)				
Premiums on debt issued	-	-	-	-
Bonds issued	9,840,254	-	-	-
Payments to refunding bond escrow agent	(2,669,235)	-	-	-
Issuance of debt	-	767,043	-	-
Proceeds from loan	-	-	-	22,500,000
Sale of assets	118,052	258,495	61,239	21,898
Capital contributions	-	-	-	316,072
Transfers in	4,023,293	4,490,769	4,264,684	4,696,451
Transfers (out)	(3,523,293)	(3,914,885)	(3,663,853)	(4,080,005)
Total other financing sources (uses)	7,789,071	1,601,422	662,070	23,454,416
Extraordinary item - insurance proceeds from Hurricane Ike	-	-	-	4,909,735
Net change in fund balances	\$ 11,275,310	\$ 3,302,023	\$ (2,233,928)	\$ 37,141,303
Debt service as a percentage of noncapital expenditures	11.5%	10.1%	8.1%	4.5%

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 18,284,008	\$ 20,133,281	\$ 21,581,964	\$ 22,134,235	\$ 23,063,200	\$ 28,161,664
19,762,544	21,310,423	23,218,434	24,137,885	26,477,757	22,709,947
4,756,164	5,009,456	5,073,022	5,042,575	5,267,085	5,244,681
1,161,760	1,143,096	1,260,920	1,157,610	1,226,220	1,437,379
2,040,355	2,833,357	2,466,092	2,243,919	1,991,045	1,775,217
2,285,567	2,647,526	2,703,729	3,290,246	3,818,853	4,211,953
103,811	77,639	103,988	149,833	101,853	257,725
68,424,863	54,464,276	62,395,037	47,740,626	40,750,422	42,403,382
2,388,035	2,235,767	2,633,854	974,471	1,163,677	8,390,920
120,117	-	-	-	-	-
<u>119,327,224</u>	<u>109,854,821</u>	<u>121,437,040</u>	<u>106,871,400</u>	<u>103,860,112</u>	<u>114,592,868</u>
7,642,352	6,565,344	5,862,705	6,478,540	6,881,718	8,030,642
28,881,042	27,751,162	26,312,416	26,953,671	27,522,088	26,895,220
17,007,107	20,947,719	4,376,642	4,171,875	3,707,638	3,559,100
6,697,503	7,933,345	7,902,712	6,964,476	9,101,210	10,002,638
6,420,644	30,051,147	33,911,247	11,784,903	5,086,927	4,367,107
4,941,417	5,115,134	5,057,683	5,291,857	5,562,920	5,656,739
33,770,019	26,735,581	28,211,925	33,036,633	34,977,699	21,545,616
22,393,732	2,474,843	3,460,785	7,420,397	6,030,509	4,681,927
3,479,515	3,657,873	3,385,968	3,311,138	2,561,735	2,500,163
<u>131,233,331</u>	<u>131,232,148</u>	<u>118,482,083</u>	<u>105,413,490</u>	<u>101,432,444</u>	<u>87,239,152</u>
(11,906,107)	(21,377,327)	2,954,957	1,457,910	2,427,668	27,353,716
-	-	2,632,838	1,700,560	-	832,890
-	8,029,904	-	-	-	5,900,000
-	(7,810,944)	-	(42,296,436)	-	(6,583,192)
-	150,000	1,564,791	41,165,000	1,071,675	-
-	-	-	-	-	-
(3,808)	150,489	1,990,040	467,254	49,650	99,109
-	-	-	-	-	-
6,295,984	4,281,316	2,816,126	13,261,479	9,599,009	6,666,229
<u>(5,601,169)</u>	<u>(3,378,451)</u>	<u>(2,135,363)</u>	<u>(12,022,362)</u>	<u>(8,002,281)</u>	<u>(26,336,878)</u>
<u>691,007</u>	<u>1,422,314</u>	<u>6,868,432</u>	<u>2,275,495</u>	<u>2,718,053</u>	<u>(19,421,842)</u>
7,170,024	-	-	-	-	-
<u>\$ (4,045,076)</u>	<u>\$ (19,955,013)</u>	<u>\$ 9,823,389</u>	<u>\$ 3,733,405</u>	<u>\$ 5,145,721</u>	<u>\$ 7,931,874</u>
26.5%	5.9%	7.6%	14.8%	12.9%	10.9%

CITY OF GALVESTON, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited)

Real Property

Fiscal Year	Tax Year	Residential Property	Commercial Property	Personal Property	Less Tax Exempt Real Property
2006	2005	\$ 1,672,452,438	\$ 2,820,883,699	\$ 377,360,369	\$ 1,962,444,790
2007	2006	1,683,926,873	3,003,749,029	314,300,569	1,673,747,884
2008	2007	2,017,563,012	3,434,393,698	414,272,322	1,726,137,187
2009	2008	2,238,512,202	3,448,537,786	481,608,711	1,738,355,125
2010	2009	1,895,989,601	2,915,703,876	471,811,336	1,505,666,315
2011	2010	2,326,513,779	3,180,929,673	448,096,912	1,653,285,702
2012	2011	2,389,829,758	3,186,490,428	496,632,617	1,656,461,844
2013	2012	2,492,520,267	3,231,185,848	447,606,979	1,660,988,116
2014	2013	2,578,072,508	3,219,107,042	512,611,154	1,660,330,009
2015	2014	2,773,011,254	3,225,158,603	539,398,047	1,663,741,467

Source: Galveston Central Appraisal District

Note: All properties are assessed at 100% of actual taxable value. The difference between market value and taxable value is the value of exemptions given for statutory purposes.

Residential property includes both single-family and multi-family properties.

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 2,908,251,716	0.54170	\$ 4,870,900,236	59.71%
3,328,228,587	0.49400	5,001,976,471	66.54%
4,140,091,845	0.49400	6,183,802,150	66.95%
4,430,303,574	0.49400	6,518,843,089	67.96%
3,777,838,498	0.55400	5,602,592,850	67.43%
4,302,254,662	0.55400	6,273,760,599	68.58%
4,416,490,959	0.55400	6,420,552,045	68.79%
4,510,324,978	0.55400	6,508,502,012	69.30%
4,649,460,695	0.55400	6,672,920,667	69.68%
4,873,826,437	0.55390	6,936,435,152	70.26%

CITY OF GALVESTON, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Unaudited)

City Direct Rates

Fiscal Year	General	Library	Debt Service	Total Direct
2006	\$ 0.42280	\$ 0.05000	\$ 0.06890	\$ 0.54170
2007	0.38340	0.05000	0.06060	0.49400
2008	0.38980	0.05000	0.05420	0.49400
2009	0.39310	0.05000	0.05090	0.49400
2010	0.44040	0.05000	0.06360	0.55400
2011	0.44640	0.05000	0.05760	0.55400
2012	0.45120	0.05000	0.05280	0.55400
2013	0.45320	0.05000	0.05080	0.55400
2014	0.45513	0.05000	0.04887	0.55400
2015	0.43658	0.05000	0.04731	0.53389

Source: Galveston Central Appraisal District, 2015 Taxing Entities and Tax Rates

Overlapping Rates

Galveston Independent School District	Galveston College	Navigation District 1	Galveston County	Total Millage
\$ 1.71000	\$ 0.19180	\$ 0.03800	\$ 0.64000	\$ 3.12150
1.52500	0.17000	0.03370	0.58740	2.81010
1.17500	0.17000	0.03300	0.56860	2.44060
1.16500	0.17000	0.03200	0.55860	2.41960
1.16500	0.19000	0.04800	0.61860	2.57560
1.16500	0.18950	0.04880	0.61980	2.57710
1.16500	0.18950	0.04660	0.61290	2.56800
1.16500	0.18940	0.04660	0.59990	2.55490
1.16500	0.18700	0.04662	0.58980	2.54242
1.15500	0.18700	0.04662	0.57884	2.50135

CITY OF GALVESTON, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Unaudited)

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Tax Year 2014			Tax Year 2005		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
CenterPoint Energy Inc	\$ 46,413,959	1	0.95%	\$ 43,773,370	1	1.51%
Fertitta Hospitality Inc	33,173,760	2	0.68%	26,032,720	2	0.90%
Willie G's Post Oak Inc	31,379,685	3	0.64%	-		
Silverleaf Resorts Inc	18,788,080	4	0.39%	-		
Galveston Island Water Park LP	16,785,950	5	0.34%	-		
AET Offshore Services Inc	15,842,954	6	0.33%	-		
Galveston Terminals Inc	15,757,200	7	0.32%	-		
Eighteen Seventy Strand Corp	14,765,310	8	0.30%	9,729,520	8	0.33%
Island Hospitality Inc	12,782,750	9	0.26%	-		
Walmart Realty Co, #504	12,600,000	10	0.26%	-		
Southwestern Bell Telephone Co	-			15,812,780	3	0.54%
American National Insurance Co	-			13,725,270	4	0.47%
Harbor Properties	-			13,703,910	5	0.47%
MBP Corporation	-			11,363,090	6	0.39%
TFT Galveston Portfolio LTD	-			10,246,480	7	0.35%
Wal-mart Property, Incorporated	-			9,632,390	9	0.33%
Galveston Venture LTD	-			9,290,460	10	0.32%
	218,289,648		4.5%	163,309,990		5.6%
Other taxpayers	4,655,536,789		95.5%	2,744,941,726		94.4%
Total Assessed Valuation	\$ 4,873,826,437		100.0%	\$ 2,908,251,716		100.0%

Source - Galveston County Appraisal District

CITY OF GALVESTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
				Amount	Percent of Levy	Amount	Amount	Percent of Levy
2006	2005	\$ 0.54170	\$ 15,753,999	\$ 15,104,332	95.9%	\$ 392,080	\$ 15,496,412	98.4%
2007	2006	0.49400	16,373,557	15,524,973	94.8%	482,864	16,007,837	97.8%
2008	2007	0.49400	18,845,581	17,848,399	94.7%	383,514	18,231,913	96.7%
2009	2008	0.49400	19,933,324	18,814,521	94.4%	525,369	19,339,890	97.0%
2010	2009	0.55400	18,549,699	17,435,131	94.0%	628,686	18,063,817	97.4%
2011	2010	0.55400	20,259,666	19,157,461	94.6%	534,159	19,691,620	97.2%
2012	2011	0.55400	21,237,761	20,665,231	97.3%	513,930	21,179,161	99.7%
2013	2012	0.55400	21,871,371	21,295,639	97.4%	384,119	21,679,758	99.1%
2014	2013	0.55400	22,575,966	22,198,509	98.3%	414,562	22,613,071	100.2%
2015	2014	0.55389	22,892,129	22,463,530	98.1%		22,463,530	98.1%

Source: Tax department records of the City. Tax levy based on the certified roll received from GCAD.

Note: The basis for property tax rates is per \$100 of the assessed valuation.

CITY OF GALVESTON, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
Amounts in (000's) except per capita amounts
(Unaudited)

Governmental Activities					
Fiscal Year	General Obligation Bonds	Special Obligation Bonds	Capital Leases	Certificates of Obligation	Other**
2006	\$ 23,733	\$ 38,360	\$ 608	\$ 19,324	\$ 8,932
2007	22,898	36,985	756	19,324	19,363
2008	21,967	35,535	748	22,905	19,508
2009	20,963	34,010	880	22,772	24,111
2010	19,834	32,835	606	22,691	2,601
2011	18,478	31,595	212	22,605	2,516
2012	21,702	30,290	1,654	22,516	2,854
2013	18,569	26,690	1,291	19,572	3,029
2014	18,950	25,960	882	16,900	2,714
2015	16,907	25,200		14,153	3,039

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

*See the Schedule of Demographic and Economic Statistics for personal income and population data.

** Other debt consists of contracts, notes payable and issuance discount/premiums.

Business-Type Activities

Revenue Bonds	Capital Leases	Certificates of Obligation	Other**	Total Primary Government	Percentage of Personal Income*	Percentage of Actual Taxable value of Property	Per Capita*
\$ 47,029	\$ 725	\$ 725	\$ 48,674	\$ 188,110	18%	3.9%	\$ 3,286
47,100	404	630	48,941	196,401	19%	3.9%	3,367
45,420	1,278	16,849	46,085	210,295	20%	3.4%	3,553
43,670	921	16,146	51,361	214,834	24%	3.3%	4,270
41,765	649	15,668	49,484	186,133	19%	3.3%	3,301
39,800	397	15,174	43,593	174,369	15%	2.8%	3,652
37,955	135	14,658	40,651	172,415	15%	2.7%	3,559
35,755	-	14,116	30,767	149,791	13%	2.3%	3,136
33,525	-	13,674	26,820	139,425	11%	2.1%	2,861
28,810	-	13,210	25,674	126,994	10%	1.8%	2,560

CITY OF GALVESTON, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Amounts in (000's) except per capita amounts

(Unaudited)

Fiscal Year	Tax Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2006	2005	\$ 23,733	\$ 3,468	\$ 20,265	0.42%	\$ 354
2007	2006	22,898	3,739	19,159	0.38%	328
2008	2007	21,967	3,955	18,012	0.29%	304
2009	2008	20,963	4,505	16,458	0.25%	327
2010	2009	19,834	4,557	15,277	0.27%	271
2011	2010	18,478	4,611	13,867	0.22%	290
2012	2011	21,702	3,766	17,936	0.28%	370
2013	2012	18,569	4,039	14,530	0.22%	304
2014	2013	18,950	4,403	14,547	0.22%	299
2015	2014	16,907	3,238	13,668	0.20%	276

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

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF GALVESTON, TEXAS
DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
September 30, 2015
(Unaudited)

<u> Taxing Jurisdiction </u>	<u> Gross Debt </u>	<u> Overlapping </u>	
		<u> Estimated Percentage * </u>	<u> Amount </u>
Galveston Independent School District (1)	\$ 55,309,998	83.12%	\$ 45,973,776
Galveston County (2)	232,129,000	19.28%	44,743,093
Total Overlapping Debt			90,716,869
City Direct Debt			<u>60,063,862</u>
Total Direct and Overlapping Debt			<u>\$ 150,780,731</u>
Ratio of Direct and Overlapping Funded Debt to 2015 Taxable Assessed Valuation			3.09%
Per Capita Debt - Direct and Overlapping			\$ 3,039

Sources:

- (1) Galveston Independent School District and City Finance Department
- (2) Galveston County Auditors Office

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Galveston. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt of each overlapping government.

*Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF GALVESTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population ¹	Personal Income (\$000's)	Per Capita Personal Income ¹	Median Age ¹	Educational Level in Years of Formal Schooling ¹	School Enrollment ²
2006	57,247	\$ 1,017,222	\$ 17,769	35.5	12.0	9200
2007	58,329	1,036,448	17,769	35.5	12.0	8400
2008	59,186	1,051,676	17,769	35.5	12.0	6876
2009	50,308	893,923	17,769	35.5	12.0	6047
2010	56,391	1,002,012	17,769	38.8	12.0	6400
2011	47,743	1,125,828	23,581	38.8	12.0	6400
2012	48,444	1,142,358	23,581	38.8	12.0	6450
2013	47,762	1,185,548	24,822	38.8	12.0	6450
2014	48,733	1,287,039	26,410	38.8	12.0	6800
2015	49,608	1,297,944	26,164	37.3	12.0	6813

Data Sources:

- 1 - United States Census Bureau
- 2 - Galveston Independent School District
- 3 - United States Census Bureau and Texas Workforce Commission
- 4 - City of Galveston

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

Unemployment Rate³	Value of Building Permits Issued (millions) ⁴
5.5%	N/A
4.9%	N/A
5.6%	\$ 298
7.7%	166
8.4%	125
8.9%	109
7.6%	109
7.7%	227
5.6%	173
6.3%	171

CITY OF GALVESTON, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

(Unaudited)

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment (A)	Employees	Rank	Percentage of Total City Employment (A)
University of Texas Medical Branch	9,000	1	39.38%	12,318	1	46.66%
American National Insurance Company	1,600	2	7.00%	1,509	2	5.72%
Galveston Independent School District	1,361	3	5.96%	1,286	3	4.87%
Landry's	1,300	4	5.69%	1,245	4	4.72%
Moody Gardens	922	5	4.03%	1,077	5	4.08%
City of Galveston	700	6	3.06%	845	6	3.20%
Fertitta Hospitality	566	7	2.48%	687	7	2.60%
Galveston College	543	8	2.38%	543	8	2.06%
Galveston County (on Island only)	460	9	2.01%	901	9	3.41%
Texas A&M University at Galveston	397	10	1.74%	400	10	1.52%
U.S. Army Corps of Engineers	390	11	1.71%	390	11	1.48%
	17,239		76.34%	21,201		80.31%

(A) For 2015, estimated total employment was 22,583. For 2006, estimated total employment was 26,400.

Source: Galveston Economic Development Partnership and Texas Workforce Commission.

CITY OF GALVESTON, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
City Secretary	3	3	3	4	3	3	3	3	3	3
Municipal Court	13	13	13	9	9	10	10	10	9	9
City Manager	4	4	4	4	3	5	5	4	4	4
City Auditor	-	-	1	1	-	1	1	2	2	2
Finance	16	17	16	20	18	13	13	14	15	16
Legal	6	5	5	5	5	5	5	6	6	6
Human Resources	4	3	4	4	5	4	3	3	3	3
Public Safety:										
Police	219	220	205	192	197	131	177	177	188	185
Fire	127	131	131	119	124	115	115	115	115	115
Emergency Management	2	1	1	2	1	1	1	2	2	2
Public Works:										
Streets and Traffic	50	50	51	44	45	31	31	36	42	42
Parks	51	34	38	44	39	34	34	33	34	34
Planning and Community Development	33	23	35	42	54	23	24	24	23	23
Waterworks	39	38	34	36	39	32	32	35	37	41
Sewer System	73	74	69	55	65	69	69	80	81	84
Drainage Utility	23	22	16	16	7	23	23	26	35	35
Municipal Golf Course	12	12	-	-	-	-	-	-	-	-
Sanitation	55	55	43	39	39	45	45	45	48	48
Municipal Airport	9	9	9	8	8	8	8	8	8	8
Central Service	11	10	12	9	10	12	12	13	14	15
Central Garage	22	23	22	20	19	22	22	22	22	22
Municipal Insurance	2	2	2	2	-	2	2	2	2	2
Construction Management	6	6	7	7	6	5	5	5	5	5
Island Transit	65	65	59	48	52	52	52	52	52	52
Total	845	820	780	730	748	646	692	717	750	756

Source: City Budget Office

CITY OF GALVESTON, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009
Police:				
Physical arrests	17,845	14,245	10,889	7,154
Parking violations	38,822	38,822	18,600	5,733
Traffic violations	21,084	21,084	32,804	31,072
Fire:				
Calls	7,299	7,751	7,852	7,024
Inspections	1,654	2,276	2,099	1,913
Water:				
Service connections	22,000	25,747	22,688	25,083
Average daily consumption (gallons)	13,648,765	16,696,885	16,458,298	15,399,203
Sewer:				
Average daily flow (gallons)	10,215,000	10,877,000	8,161,875	8,175,912
Maximum daily capacity of plants (gallons)	14,500,000	14,500,000	14,580,000	14,580,000

Source: Various City Departments.

Fiscal Year					
2010	2011	2012	2013	2014	2015
7,043	6,593	7,065	7,597	6,039	6,356
4,391	11,951	27,680	9,267	25,556	12,320
25,499	40,676	15,328	28,765	22,148	20,243
6,382	8,645	6,681	6,311	7,020	7,172
2,123	735	1,324	407	1,678	1,693
26,305	23,966	21,323	20,595	23,294	19,938
16,013,795	16,143,437	14,480,142	14,570,688	14,557,447	14,509,978
8,529,000	6,694,692	7,108,791	7,854,000	7,136,000	8,826,700
14,580,000	14,580,000	14,580,000	14,500,000	17,713,000	14,550,000

CITY OF GALVESTON, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2006	2007	2008	2009
Police:				
Stations	2	3	1	1
Patrol Units	58	63	60	63
Police officers	154	162	158	152
Fire:				
Stations	6	6	6	6
Fire fighters	117	131	120	120
Highways and streets:				
Streets (miles)	288	321	321	321
Street lights	3,812	4,199	4,212	4,236
Culture and recreation:				
Parks acreage	277	277	128	50
Parks	16	16	10	14
Tennis courts	15	15	19	15
Community centers	1	1	2	2
Cemeteries	7	7	6	5
Athletic fields	28	28	20	22
Municipal golf course	1	1	-	-
Water:				
Water mains (miles)	317	333	380	385
Fire hydrants	1,931	2,350	2,368	2,410
Maximum daily capacity (thousands of gallons)	33,000,000	33,000,000	33,000,000	33,000,000
Sewer:				
Treatment plants	4	4	5	4
Sanitary sewers (miles)	220	182	238	238
Storm sewers (miles)	75	75	75	75
Maximum daily treatment capacity (thousands of gallons)	14,500,000	14,500,000	14,580,000	14,580,000

Source: Various City Departments.

Note: No capital asset indicators are available for the general government function.

Fiscal Year					
2010	2011	2012	2013	2014	2015
3	4	1	2	1	1
51	67	55	60	74	78
158	131	139	143	143	140
6	6	6	6	6	6
112	115	108	115	109	109
321	321	321	321	321	321
4,257	4,444	4,365	4,377	4,411	4,417
50	50	50	168	168	168
14	14	14	14	14	14
15	16	16	16	16	16
2	2	2	2	2	2
5	2	2	7	7	7
22	11	11	12	12	12
-	-	-	-	-	-
386	388	389	389	389	389
2,414	2,422	2,422	2,422	2,552	2,555
33,000,000	33,000,000	37,150,000	39,700,000	39,700,000	36,500,000
4	4	4	4	4	4
243	243	243	243	243	243
75	75	75	75	75	75
8,529,000	14,580,000	14,580,000	14,250,000	14,250,000	14,750,000

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