

Comprehensive Annual Financial Report

.....
For Fiscal Year Ended September 30, 2019



**CITY OF GALVESTON,
TEXAS**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2019**

**Prepared by:
Finance Department**

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Introductory Section



2019 Comprehensive Annual Financial Report



GALVESTON WATER WORKS

59TH STREET PUMP STATION



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City of Galveston



P.O. Box 779 / Galveston, Texas 77553

Comprehensive Annual Financial Report for Fiscal Year Ending September 30, 2019

Letter of Transmittal

March 24, 2020

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, 2019.

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, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2019 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, and is governed through 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 three 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 renourishment, 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. Since FY 2016, the budget process has begun with a five-year forecast of revenue and expenditures presented to City Council in June. 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 and presents a proposed budget to the council during the first week of August. Capital projects and related financing are also discussed with council in May and June resulting in the presentation of the five year capital improvement plan in July.

The council is required to hold public hearings on the proposed budget, including the capital improvement plan, and to adopt a final budget no later than the second or last regularly scheduled council meeting in September. If the council does not approve the budget by October 1, it takes effect as proposed by the city manager until council can meet to ratify or modify it. Also, in August and September, the council holds public hearings on the proposed property tax rate required to support the budget. The rate is then adopted in September after the budget is adopted in accordance with State law.

The budget is prepared for every operating and capital fund, function (e.g. public safety), and department (e.g. police). Subsequently, the Budget ordinance proposed to and passed by the City Council provides specific appropriations that govern spending plans for the fiscal year. During the year, the city manager may make transfers of appropriations within a department and fund without prior approval by City Council. Transfers of appropriations within a fund and between departments, however, require the prior approval of the City Council. Revenue and expense is monitored throughout the fiscal year and documented in quarterly reports, along with the status of capital projects and capital funds. The Budget is amended by City Council as needed for municipal purposes under the authority of the state Budget Law (Local Government Code Chapter 102) and the City charter. At the close of each fiscal year, any unencumbered balance of an

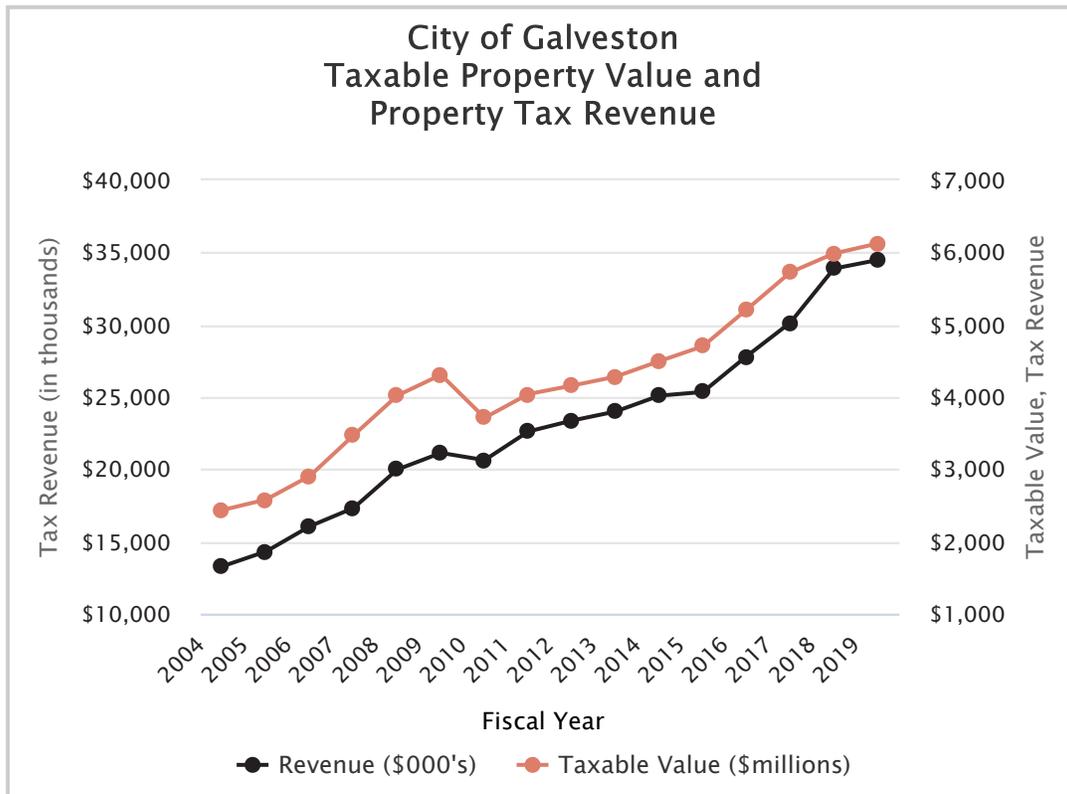
appropriation reverts to the fund from which it was originally appropriated and may only be re-appropriated by the council.

Budget-to-actual comparisons are provided for the most significant governmental funds including the General Fund, Debt Service Fund, Island Transit special fund and Rosenberg Library special fund. Budget-to-actual comparisons are also presented for the Combined Utility System Fund (formerly the Waterworks and Sewer System Funds), Sanitation, Drainage and Airport enterprise funds.

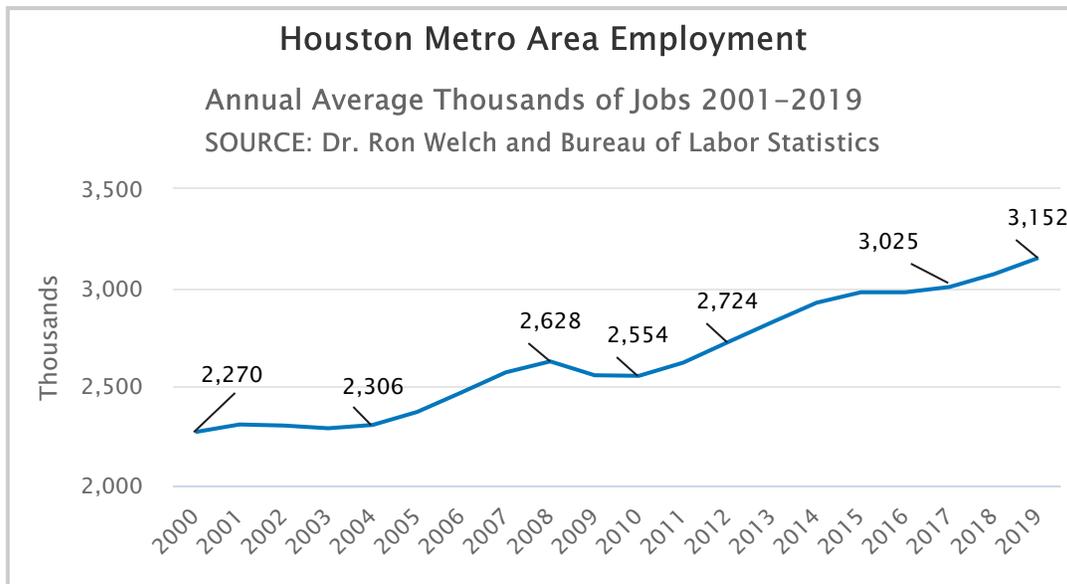
Economic Climate

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.

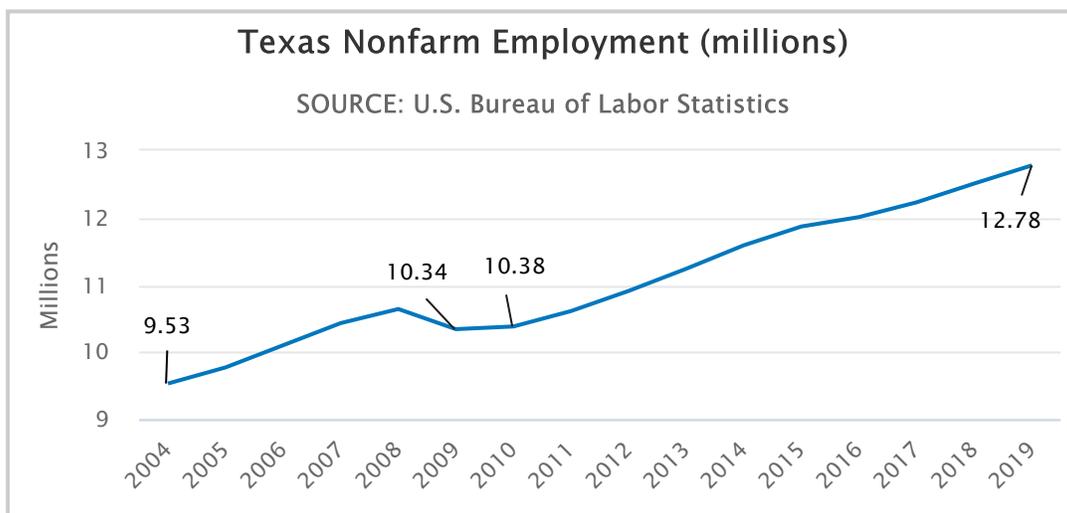
The City’s long-term growth rate was interrupted in a significant way by the simultaneous arrival of Hurricane Ike and the Great Recession in 2008. In the five years immediately prior to Hurricane Ike, which made landfall on September 13, 2008, the City’s economy expanded with total taxable value of all properties growing from \$2.4 billion in FY 2004 to \$4.3 billion in FY 2009, a 77 percent increase. After a one year adjustment due to the impact of Hurricane Ike that dropped taxable values to \$3.7 billion, it took four years for taxable property value to return to its pre-2008 level. Taxable value dropped 12 percent from FY 2009 to FY 2010, and the City adjusted its property tax rate from \$0.494 to \$0.554 per \$100 of taxable value to absorb a portion of the associated tax revenue loss. Post-recession economic recovery brought taxable value to \$6.12 billion in FY 2019 (Source: Galveston County Appraisal District). The effective annual rate of increase in the City’s taxable value from FY 2009 through FY 2019, was 3.58 percent including the loss incurred after Hurricane Ike in FY 2010.



In the same period, 2004-2019, the Houston metropolitan area economy, of which Galveston is a part, showed similar growth with the strongest recovery from the Great Recession of any metropolitan area in the U.S. Total employment went from 2.30 million in 2004 to 2.63 million in November 2008 before employment losses to the Great Recession began to occur. This economic downturn dropped employment to 2.55 million in January 2010. Seventeen months later, in November 2011 employment returned to its pre-recession level. Metro employment continued to grow at a robust three to four percent annual rate through 2014. Then when energy prices dropped, regional employment showed no change in 2015 and 2016. Oil prices subsequently recovered but employment remained sluggish with 0.9 percent job growth in 2017. More normal growth occurred in 2018 and 2019, as total employment reached 3.21 million in December 2019 for the metropolitan area.

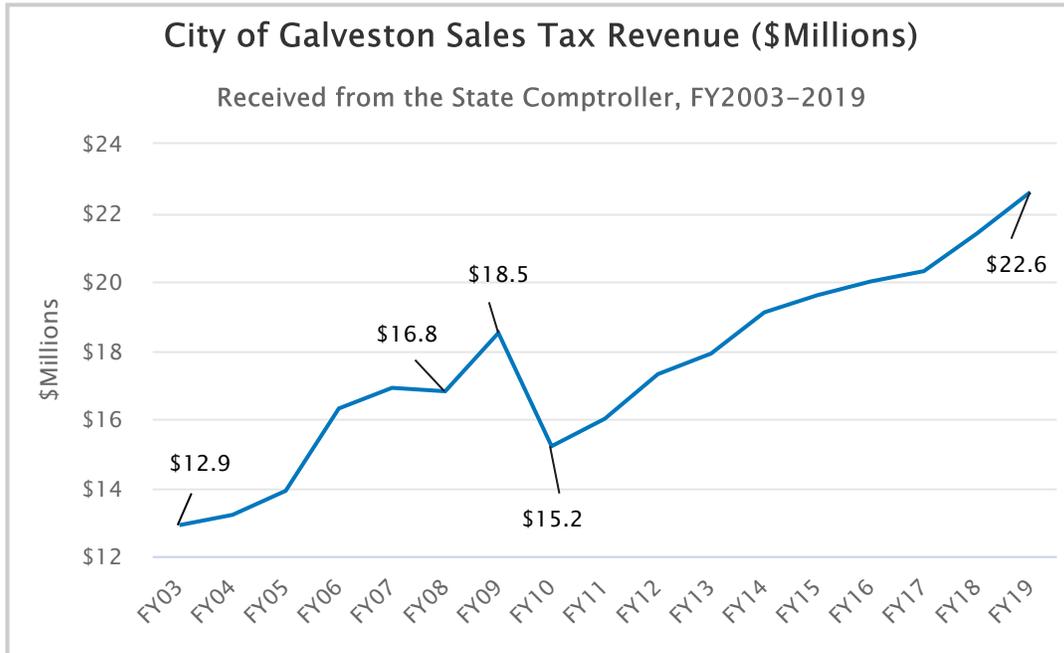


Statewide employment followed the same pattern as the region since 2004. Since the Great Recession of 2008-2009, Texas' nonfarm employment has grown by 2.4 million jobs. A healthy and growing metropolitan and state economy leads to a healthy local economy and increasing revenues for the City of Galveston.

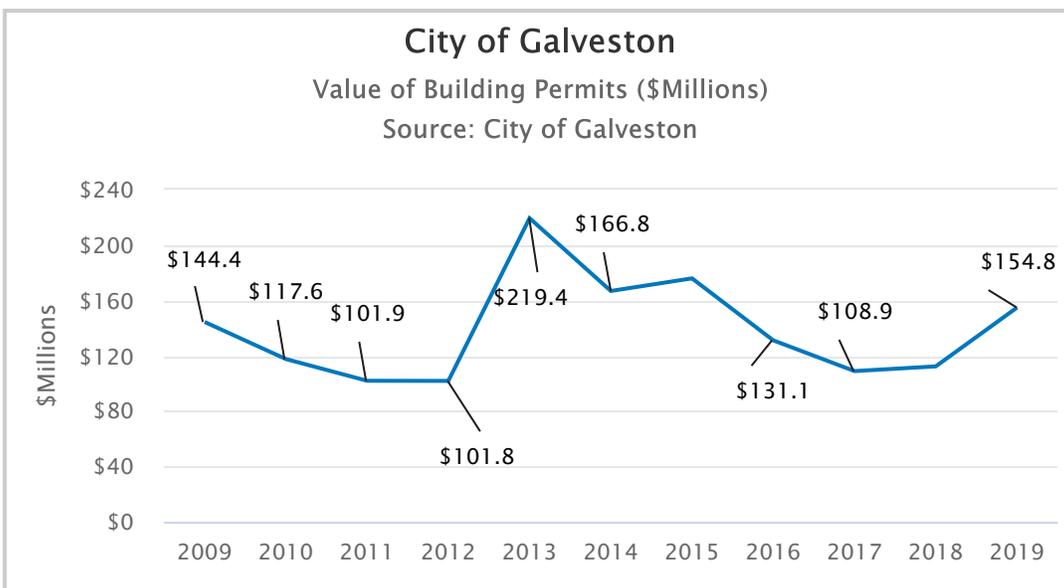


Galveston is the top recreation center for the region as evidenced by its sales tax revenue performance since FY 2003. The City's two percent sales tax rate is composed of a 1.5 percent amount that goes to the City's General Fund to support public safety and transportation functions. The remaining one-half percent goes to economic development, including equal one-eighth percent portions for beach renourishment, city parks and recreation, infrastructure and targeted economic development programs and projects. The sales tax has a significant retail component that comes from the island's residents, and the loss of population on the island after Hurricane Ike reduced this base significantly.

Total receipts reported by the State Comptroller’s office and paid to the City grew from \$12.9 million in FY 2003 to \$16.8 million in FY 2008. In the fiscal year that followed Hurricane Ike, FY 2009, sales tax receipts totaled \$18.5 million, showing net growth over the pre-Hurricane Ike period due to hurricane rebuilding expenditures by island residents and businesses. After rebuilding efforts passed their peak in FY 2010, the combined result of Hurricane Ike and the Great Recession caused sales tax revenue to decline 17 percent to \$15.2 million. Since that time, sales tax receipts have grown annually by a 4.48 percent average annual rate, rebounding strongly to \$22.6 million in FY 2019. This strong rebound is attributed to steady growth in the island’s population and in its vibrant tourism sector.

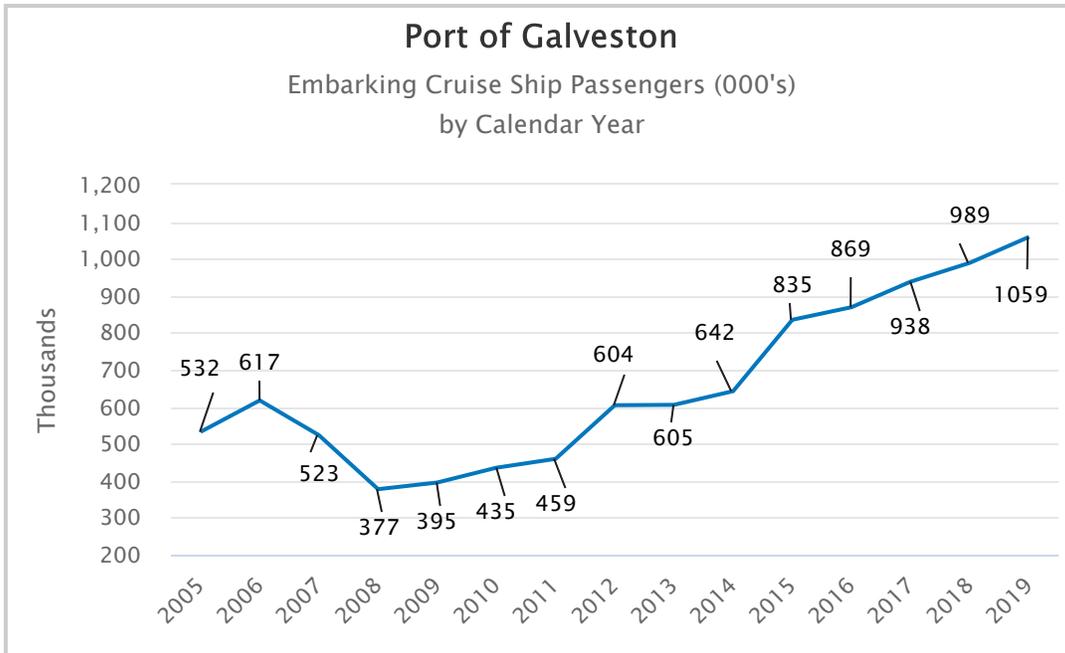


Galveston continues to have a lower cost of living than the nation in spite of its growing economy. According to the U.S. Department of Labor Statistics, the Consumer Price Index-Urban (CPI-U) for the U.S. as a whole was 251.2 in December 2018. The CPI-U For the metropolitan area including Galveston was 226.6 for the same period. By this measure, Galveston’s cost of living is approximately 9.8 percent less than the nation as a whole.

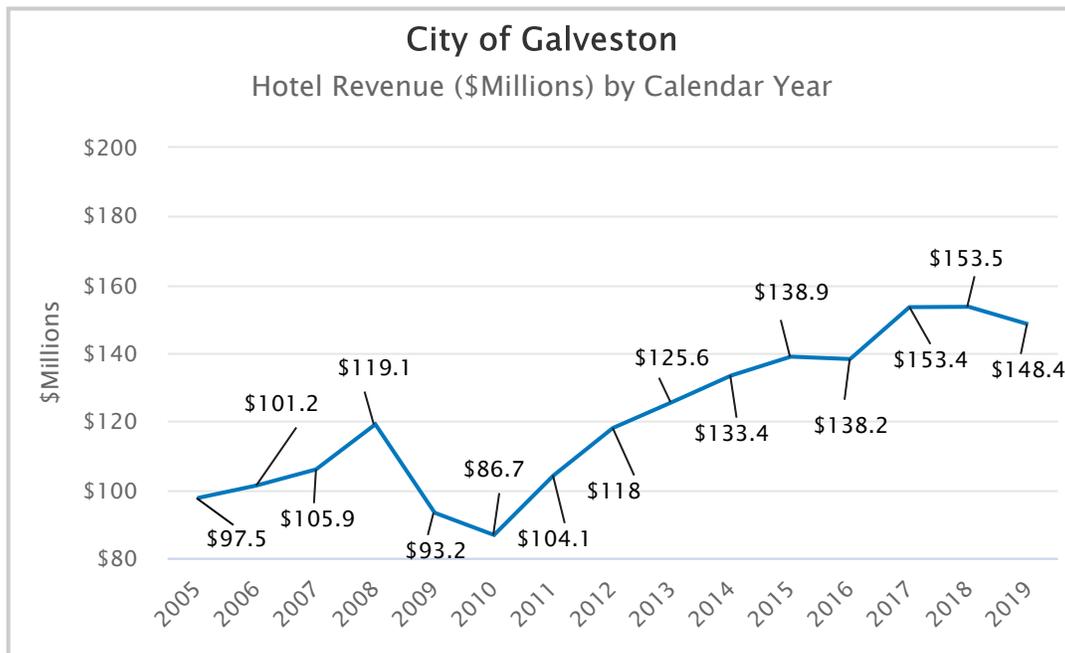


Construction activity in Galveston is continuing at a steady pace after the value of building permits in the immediate aftermath of Hurricane Ike peaked in 2008 at \$284.8 million. While the trend has been cyclical since 2013 in the value of commercial and residential building permits, 2019 produced a \$154.8 million total.

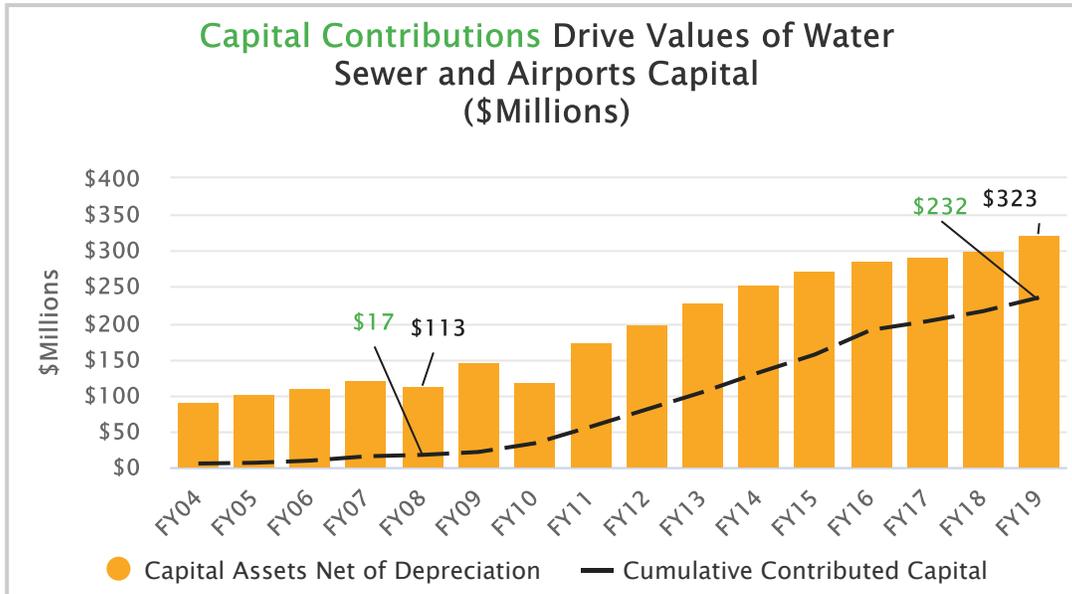
The Port of Galveston is an important contributor to both the Galveston and Texas economies. In calendar year 2016, the Port of Galveston ranked 52nd of all U.S. ports in total cargo volume, 55th in domestic cargo volume, and 44th in export cargo volume. Galveston is the fourth largest cruise port in the country, and cruise ship passengers through the port continue to set records each year. After cruise ship traffic was interrupted by Hurricane Ike in 2008 and cruise passengers dipped to 377,000, the Port of Galveston saw 989,000 cruise passengers in 2018, with departures for 2019 expected to total 1,059,000 for the year.



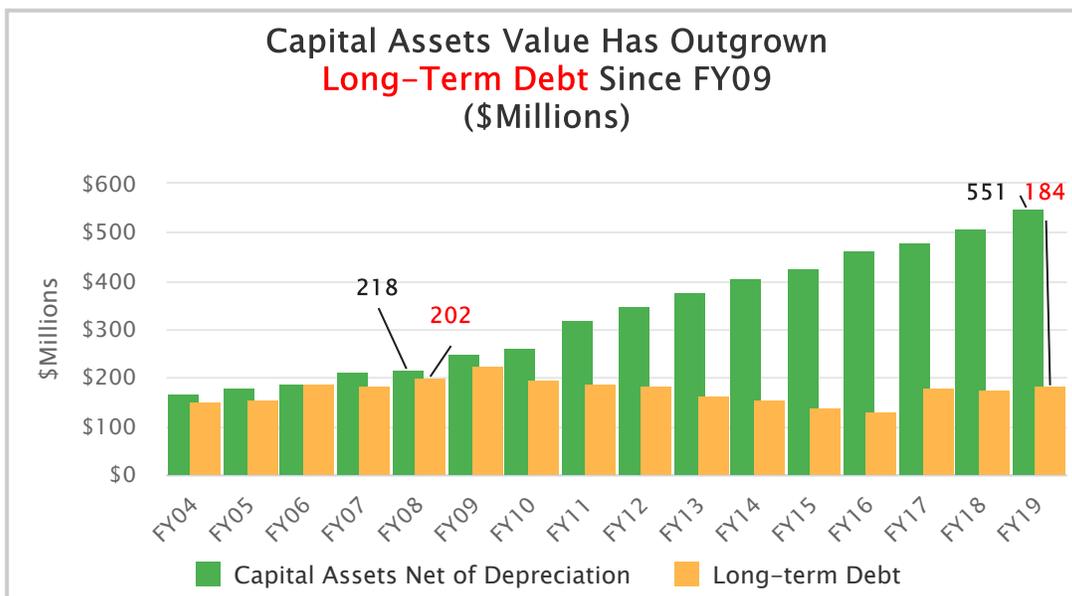
The City of Galveston is a popular destination for tourists, including its ample beaches and other attractions. The City's downtown area features The Strand District, which is the home of some of Galveston's most historic commercial buildings, and the centerpiece for the City's active year-round calendar of community and seasonal events. Nearby is the East End Historic District which is on the National Historic Register and the site of many of the City's historic structures. Galveston remains a favored spring break destination with its family-friendly attractions. A primary indicator of Galveston's tourism industry is total hotel occupancy tax revenue. Like other local and regional indicators, hotel revenue was set back by Hurricane Ike but has rebounded strongly over time.



The City's net capital asset position has been increased significantly due to over \$300 million in federal grants received by the City in the aftermath of Hurricane Ike. These grants have been used largely for facility construction, mitigation and improvements in the City's water and wastewater system, and are reflected in the capital contributions recorded in this report.



At the same time that the City utilized federal grants to enhance its net capital assets position, investment of local funds in capital assets was limited. The City issued no new long-term bonds between 2008 and 2017. In 2016, the City adopted a five year capital improvement plan (CIP) including only projects that were to be fully financed with a combination of cash on hand and future bond sale proceeds. Programs to make substantial improvements to the City's streets, drainage system, water and wastewater system have been the primary focus of the CIP. In May 2017, Galveston voters authorized the issuance of \$62 million in street and drainage general obligation bonds. By the end of FY 2019, the City had issued \$25 million of these bonds, and an additional \$70 million in certificates of obligation for water and sewer projects that are being retired with utility system revenue. Based on City Council's annual review and approval of the CIP, and the actual need for additional funding for projects that are shovel ready, additional bonds continue to be considered by City Council based on affordability and general fiscal management principles.



Long-term financial planning

In FY 2016, the City initiated a new budget and financial planning process that includes a five-year Long Range Financial Forecast, a five-year Capital Improvement Plan (CIP), and the Annual Budget. The Forecast serves as a pre-budget, providing the basis for spending targets for operating and capital budget requests.

Long term revenue analysis includes trends of ten years or more, as shown in the previous section, to identify the impact of variations in the business cycle on city revenue. Statistical modeling is used to explain the effects of significant changes in economic, climate and other factors on prior sales and hotel occupancy tax revenues. Taxable property values are forecasted based on twelve years of certification and hearings loss trends. Water and sewer revenue are forecasted using fifteen years of billing data. Non-major revenues are assumed to show modest to no growth. Expenditures are forecasted using conservative estimates of inflation, and prior period actual expenditures. Debt service is projected to include payments for new bonds needed to fund the CIP.

An essential element of long-term financial planning is ongoing monitoring and evaluation to identify new or different trends that can affect planning assumptions. Quarterly Budget Status Reports provide year-end projections of revenue and expenses for all budgeted funds as well as capital project status reports and detailed reconciliations for all capital funds. All of these financial documents can be found in the “Financial Transparency” section of the home page of the City’s website.

Relevant financial policies

The City Council has established a 90-day target balance for General Fund unrestricted cash and cash equivalents to be used in case of emergencies. The General Fund ended the year with an operating balance of \$16.51 million, representing approximately 111 days of maintenance and operating expenditures. Only the City Council can approve an allocation of the General Fund Contingency and then, only after first holding a public hearing on the proposed allocation. In 2018, the City secured the renewal of its emergency bridge loan for \$50 million to be used in the event of a major catastrophic emergency, and secured a contract for this important financial tool through spring 2023. The loan will be available to support eligible costs associated with any large emergency including a tropical storm or hurricane, including federally reimbursable costs and local costs as well including matching funds for disaster grants (see Note 8).

The City Charter assigns the responsibility to “administer all the financial affairs of the City other than the assessment and collection of taxes to the Director of Finance. This includes responsibility for the receipt, disbursement and safe-keeping of all City funds. The Finance Director establishes the accounting procedures to be used in all departments, and approve all expenditures to ensure that legal requirements have been met and the budget appropriations are not exceeded.” (See the City Charter Article VII Section 2.) Also, by State law and the City Charter, this Comprehensive Annual Financial Report, “including the auditor’s opinion on the statement, shall be filed in the office of the municipal secretary or clerk within 180 days after the last day of the municipality’s fiscal year.” (See Local Government Code Section 103.003.)

In FY 2019, the City Council adopted a debt management policy to formalize the practices included in the financial planning process that lead to decisions to issue long-term debt. The policy provides for specific projects with phased implementation and proposed funding sources to cover total project cost as the basis for any long-term debt issuance. Amortization schedules are proportional to what the City can afford, include no unusual principal amounts or “balloon” notes, and are shorter in years than the useful life of assets that are being constructed and/or acquired. The policy provides broad guidelines that encourage component units with debt issuance that must be approved by City Council to adhere to the key provisions mentioned above.

The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity, diversity and return on investments as required by the Public Fund Investment Act. (See Texas Government Code Chapter 2256.) This law and City policy require quarterly reports to the City Council that disclose the specific listing of investments that comprise the City’s investment pool, present the overall earnings from the pool, and balances as of the end of each calendar quarter. City Council appoints a Fiscal and Financial Affairs Committee (FFAC) to provide strategic direction and oversight by working with the Finance Department to manage the City’s investments. This policy is reviewed and updated annually by the FFAC and City Council. All of the City’s idle cash on hand, including operating and capital funds, is invested through this pooled approach. The only exception is federal grant cash which the City is not allowed to invest under federal regulation.

A ladder investment approach is being used to invest the City’s cash on hand in investment pools, federal agencies and treasuries. This approach takes maximum advantage of rising interest rates by scheduling

maturities based on specific project implementation schedules as well as the five year Capital Improvement Plan (CIP). The CIP is adopted by City Council annually, and each project's status is monitored and reported through the City's webpage.

Major initiatives

The City continues to implement its CIP by renewing and replacing capital facilities, many of which have outlived their useful lives. Any future bond sales will be conducted in accordance with State law and the City Charter including voter approval for General Obligation bonds providing new monies for major projects. The City is well positioned to continue the CIP as well as its long-term bond issuances. FitchRatings issued the following overall assessment of the city in its rating of the 2019 Water and Sewer Certificates of Obligation: "The 'AA' ...rating on the GOs, COs and PIBs reflect the city's healthy operating cushion, solid expenditure flexibility and moderate long-term liability burden.... Fitch expects Galveston's natural pace of spending to grow in line with revenues, with expenditure flexibility derived from the city's discretion with respect to staffing and workforce costs. Fitch expects carrying costs to remain moderate despite recent public safety pension contribution increases."

In FY 2019, the City began a major water loss mitigation project aimed at reducing the amount of water loss in its aging water distribution system. After the major investments made recently, the City has shifted its focus to more accurate measurement of water usage and transmission throughout the City. The goal is to ensure that the City purchases only the water it needs from the Gulf Coast Water Authority, isolating sources of water loss so they may be addressed in a variety of ways.

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. Renewed emphasis is being placed on the City's information technology resources, upgrading system infrastructure and beginning the implementation of major systems to manage field maintenance operations, improve plan review and the permit and inspections processes, as well as continuing to move the City to a paperless environment.

In FY 2019, the City and its police employees group secured passage of state legislation that revised and modernized the police officers' pension system, putting in place a thirty year funding plan that fully amortizes the plan's current unfunded accrued actuarial liability. This law provides for any future additional funding needs to be shared equally by the City and the plan members. The City's contribution is guaranteed to remain at the current authorized strength level for police officers should future economic downturns result in any reductions in force (see Note 14). In FY 2018, the City and firefighters agreed on a plan that increased contributions from the City and the firefighters that brought its long-term funding plan within State guidelines. The increases required in the City's contribution to the police pension plan (12 percent to 18 percent) and firefighters' pension plan (12 percent to 17 percent) are funded with current year income. The City will continue in FY 2020 to work to further stabilize these plans and the non-civil service City employees plan as well.. After the City completes its efforts to stabilize the three defined benefit pension plans, we will again turn our attention to converting those plans over time to a defined contribution basis or a hybrid plan such as that offered by the Texas Municipal Retirement System.

The City's retiree health insurance plan is reported in this year's Comprehensive Annual Financial Report for on the government wide balance sheet. This is in compliance with the Governmental Accounting Standards Board Statement 75 addressing Other Post-Employment Benefits (OPEB). The City's unfunded accrued liability for OPEB is estimated at \$9.5 million. Having addressed the City's pension fund liabilities, we now expect to begin to develop a plan that will address the unfunded OPEB liability.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awards a Certificate of Achievement for Excellence in Financial Reporting for 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. Although the City did not receive the award for the prior fiscal year, we believe that the current CAFR will meet the Certificate of Achievement Program requirements and will submit it to 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 for review by the City's independent

auditor, Whitley Penn, LLP. The City assumed the lead role in preparing the financial statements and related notes for the first time in FY 2017. This financial report represents the third such effort. 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 those who contributed to this effort.

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,


City Manager


Assistant City Manager for Finance

CITY OF GALVESTON, TEXAS
PRINCIPAL OFFICIALS



Mayor
Jim Yarbrough

District 1



Amy Bly

District 2



Craig Brown

District 3



David Collins

District 4



Jason Hardcastle

District 5



John Paul Listowski

District 6



Jackie Cole

City of Galveston, Texas

Incorporated March 1939

Charter Adopted April 19, 1960

Council – Manager Form of Government

City Council Appointees

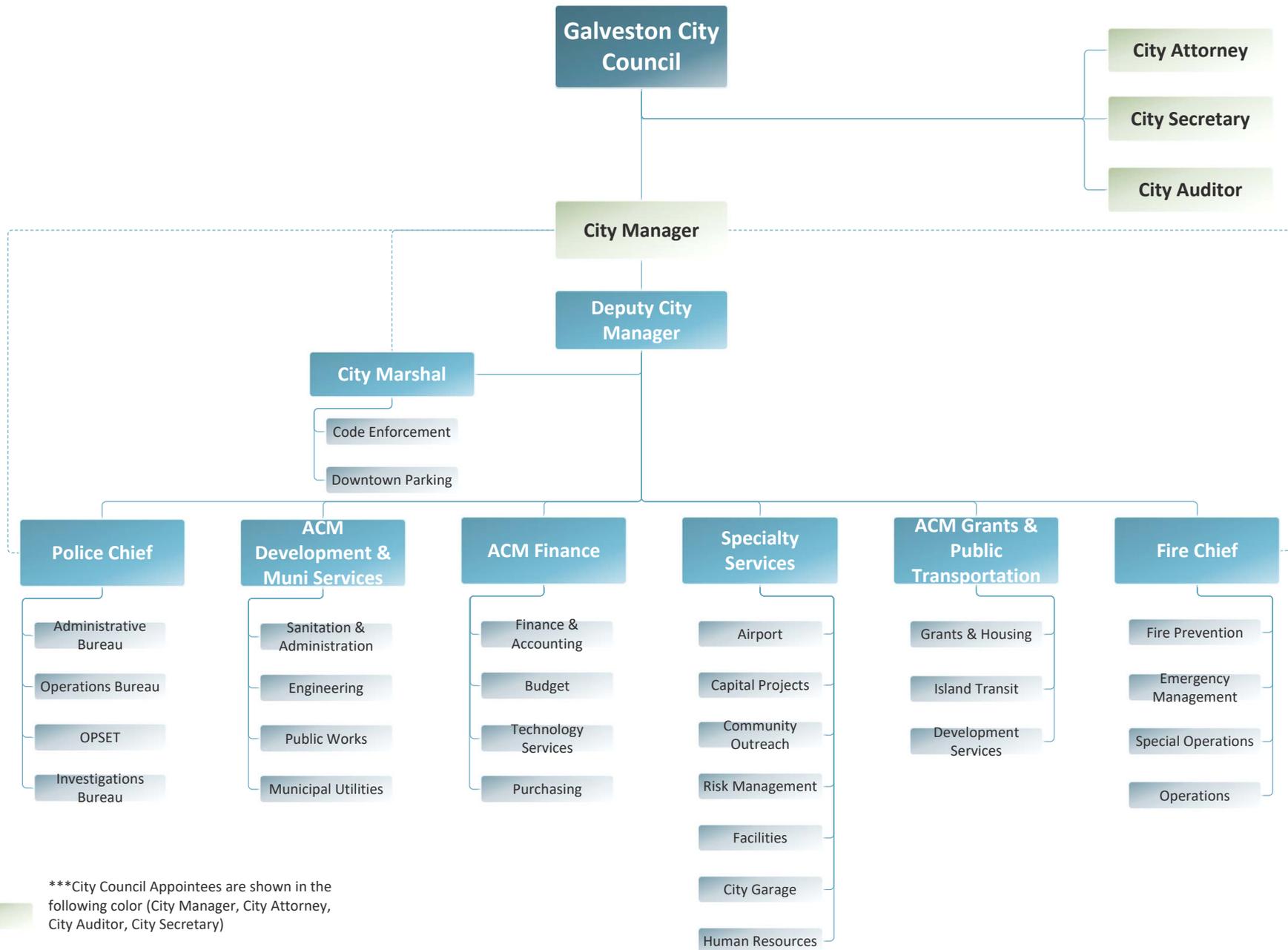
City Manager	Brian Maxwell
City Secretary	Janelle Williams
City Attorney	Donald Glywasky
Court Judge	Jim Schweitzer
City Auditor	Glenn Bulgherini

Departmental Directors

(City Manager Appointees)

Deputy City Manager	Dan Buckley
Assistant City Manager Finance	Michael Loftin
Assistant City Manager Development and Municipal Services	Brandon Cook
Police Chief	Vernon Hale
Fire Chief	Charles Olsen, Sr.
City Marshal	Cecil Stroud, Jr.
Executive Director of Development Services	Timothy Tietjens
Executive Director of Fleet, Mass Transit and Special Events	David Smith
Executive Director of Human Resources and Civil Service	Kent Etienne
Executive Director of Parks, Recreation and Community Outreach	Barbara Sanderson
Executive Director and Chief Information Technology Officer	Hope Dean
City Engineer	Daniel Christodoss
Director of Administration and Sanitation	Cindy DeWitt
Director of Airport	Michael Shahan
Director of Municipal Utilities	Trino Pedraza
Director of Parks and Recreation	Mario Rabago
Public Information Officer	Marissa Barnett
Emergency Management Coordinator	Mark Morgan, Sr.
Municipal Court Clerk	Gladys Lopez
Facilities Director	Charles Kenworthy
Risk Manager	Robert Simmons

City of Galveston Organizational Chart



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Financial Section



2019 Comprehensive Annual Financial Report



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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, 2019 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”) or the Board of Trustees of the Galveston Wharves (the “Wharves”), which collectively represent 98 percent, 63 percent, and 95 percent, respectively, of the assets and deferred outflows of resources, liabilities and deferred inflows and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Board and the Wharves, is based solely on the reports 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.

Opinions

In our opinion, based on our audit and the reports 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, 2019, 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.

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 21 through 32, the general fund budgetary information schedule and the required pension system and other post-employment benefits supplementary information schedules on pages 83 through 88 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 24, 2020, on our consideration of the City's 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's internal controls over financial reporting and compliance.


Houston, Texas
March 24, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Galveston (the "City") 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, 2019.

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 \$473.2 million (net position). Of this amount, \$34.2 million is restricted for specific purposes based on law and contractual obligations to citizens and creditors. The City's unrestricted net position declined from a negative \$23.3 million in FY 2018 to a negative \$30.0 million in FY 2019.
- On February 14, 2019, the City issued \$32.7 million of Combination Tax and Revenue Certificates of Obligation (see Note 8 for additional information).
- In December 2018, the City paid a \$13.5 million settlement payment to a contractor utilized by the City and the General Land Office to manage private housing assistance grants following Hurricane Ike in 2008 (see Note 16 for additional information). This payment had no impact to the City's net position in FY 2019 as the liability was accrued in FY 2018.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector corporation.

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, 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 which consist of the following:

Park Board of Trustees
Galveston Island Redevelopment Authority
Campeche Shores - Public Improvement District
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

The financial statements of Galveston Housing Finance Corporation and Galveston Property Finance Authority have been excluded from this report.

The government-wide financial statements can be found on pages 35 through 37 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 are 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 67 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 funds, all of which are considered to be major governmental funds. Data from the other 62 governmental funds are combined into a single, aggregated presentation; including 13 CDBG annual entitlement allocation funds and 9 Home Partnership Investment annual allocation funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 91 through 105 of this report.

The basic governmental fund financial statements can be found on pages 38 through 41 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds, Enterprise Funds and Internal Service 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. Internal Service Funds are used to report activities that provide supplies and services for the City's other programs and activities. The Municipal Garage, Central Service, Casualty & Liability insurance, Construction Management, Workers Compensation Insurance, and Health and Life Insurance 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 Combined Utility System Fund is 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 42 through 44 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 beginning on page 47.

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 and debt service funds to demonstrate compliance with this budget. Required supplementary information can be found on pages 83 through 88 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 \$473.2 million at the close of the most recent fiscal year. The "Comparative Schedule of Net Position" presents the financial performance that results in this amount, and shows a comparison with the prior fiscal year as well. The City's Total Net Position for the fiscal year ended September 30, 2019 of \$473.2 million is a \$33.6 million increase over the prior year.

Total Assets were \$753.8 million at the end of the current fiscal year, a \$43.9 million increase over prior fiscal year. This is attributable largely to the continued investment in the City's capital assets, including substantial amounts of contributions from grants as in prior years. Total investments in capital assets increased by \$39.6 million.

Current assets for Governmental Activities decreased by \$23.2 million, largely due to the decline in cash as a result of the \$13.5 million CDM payment (see Note 16) and continued investment in capital assets. The current assets for Business-Type Activities increased by \$27.5 million, largely due to the net result of \$35.4 million in proceeds and premiums from a bond sale (see Note 8) and an offsetting decline in cash due to continued investment in capital assets.

Similar increases can be seen in long-term liabilities, with an decrease of \$19.8 million for Governmental Activities and an increase of \$27.9 million for Business-Type Activities.

By far the largest portion of the City's net position, 99.1 percent or \$469.0 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, 2019. 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.

The total Net Pension Liability for the City's three pension funds increased to \$84.4 million in the current fiscal year compared with \$64.3 million for the prior fiscal year. This was largely due to a decline in investment performance in the current fiscal year, slightly offset by increased contribution rates for the firefighter and police plans (see Note 14).

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2019 and 2018

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018*	2019	2018	2019	2018*
Current and other assets	\$ 97,346	\$ 120,559	\$ 105,892	\$ 78,350	\$ 203,238	\$ 198,909
Capital assets	228,153	208,660	322,378	302,312	550,531	510,972
Total Assets	<u>325,499</u>	<u>329,219</u>	<u>428,270</u>	<u>380,662</u>	<u>753,769</u>	<u>709,881</u>
Total Deferred Outflows of Resources	22,938	9,038	4,552	2,643	27,490	11,681
Other liabilities	15,469	18,506	9,162	9,259	24,631	27,765
Long-term liabilities	69,638	89,385	113,949	86,081	183,587	175,466
Total OPEB liability	9,465	9,138	-	-	9,465	9,138
Net pension liability	76,115	59,166	8,330	5,096	84,445	64,262
Total Liabilities	<u>170,687</u>	<u>176,195</u>	<u>131,441</u>	<u>100,436</u>	<u>302,128</u>	<u>276,631</u>
Total Deferred Inflows of Resources	5,431	4,467	487	812	5,918	5,279
Net Position (Deficit)						
Net investment in capital assets	191,799	170,911	277,164	255,587	468,963	426,498
Restricted	31,559	33,271	2,674	3,196	34,233	36,467
Unrestricted	(51,039)	(46,587)	21,056	23,274	(29,983)	(23,313)
Total Net Position (Deficit)	<u>\$ 172,319</u>	<u>\$ 157,595</u>	<u>\$ 300,894</u>	<u>\$ 282,057</u>	<u>\$ 473,213</u>	<u>\$ 439,652</u>

* As restated.

An additional portion of the City's net position, 7.2 percent or \$34.2 million, represents resources that are restricted by external authorities and requirements on how they may be used. The total unrestricted net position of negative \$30.0 million, is comprised of \$51.0 million negative net position in governmental activity balance, partially offset by \$21.1 million unrestricted net position of business-type activities. The governmental activities negative net position includes the reporting of \$76.1 million in net pension liabilities and \$9.5 of OPEB liabilities attributable to governmental activities.

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

For the Years Ended September 30, 2019 and 2018

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018*	2019	2018	2019	2018*
Revenues						
Program revenues:						
Charges for services	\$ 5,617	\$ 6,072	\$ 47,060	\$ 48,349	\$ 52,677	\$ 54,421
Operating grants and contributions	3,502	4,543	50	322	3,552	4,865
Capital grants and contributions	33,479	27,577	3,727	562	37,206	28,139
General revenues:						
Property taxes	32,692	31,846	-	-	32,692	31,846
Sales tax	22,633	21,425	-	-	22,633	21,425
Hotel occupancy taxes	12,824	13,279	-	-	12,824	13,279
Franchise and other taxes	6,420	6,605	-	-	6,420	6,605
Payments in lieu of taxes	248	167	-	-	248	167
Other	2,420	3,433	1,851	999	4,271	4,432
Total Revenues	<u>119,835</u>	<u>114,947</u>	<u>52,688</u>	<u>50,232</u>	<u>172,523</u>	<u>165,179</u>
Expenses						
General government	8,871	10,381	-	-	8,871	10,381
Public safety	38,414	36,194	-	-	38,414	36,194
Public works	10,653	9,669	-	-	10,653	9,669
Culture and recreation	19,637	17,633	-	-	19,637	17,633
Planning and community development	7,512	21,999	-	-	7,512	21,999
Transportation system	4,693	5,125	-	-	4,693	5,125
Interest on long-term debt	2,232	2,488	-	-	2,232	2,488
Combined utility system	-	-	36,776	35,647	36,776	35,647
Sanitation services	-	-	5,342	6,566	5,342	6,566
Drainage utility	-	-	3,064	2,726	3,064	2,726
Airport	-	-	1,768	1,796	1,768	1,796
Total Expenses	<u>92,012</u>	<u>103,489</u>	<u>46,950</u>	<u>46,735</u>	<u>138,962</u>	<u>150,224</u>
Increase (decrease) in net position before transfers	27,823	11,458	5,738	3,497	33,561	14,955
Transfers	(13,099)	(9,368)	13,099	9,368	-	-
Increase (decrease) in net position	14,724	2,090	18,837	12,865	33,561	14,955
Net position - beginning	154,149	154,908	282,057	271,535	436,206	426,443
Prior period adjustments	3,446	597	-	(2,343)	3,446	(1,746)
Net position - ending	<u>\$ 172,319</u>	<u>\$ 157,595</u>	<u>\$ 300,894</u>	<u>\$ 282,057</u>	<u>\$ 473,213</u>	<u>\$ 439,652</u>

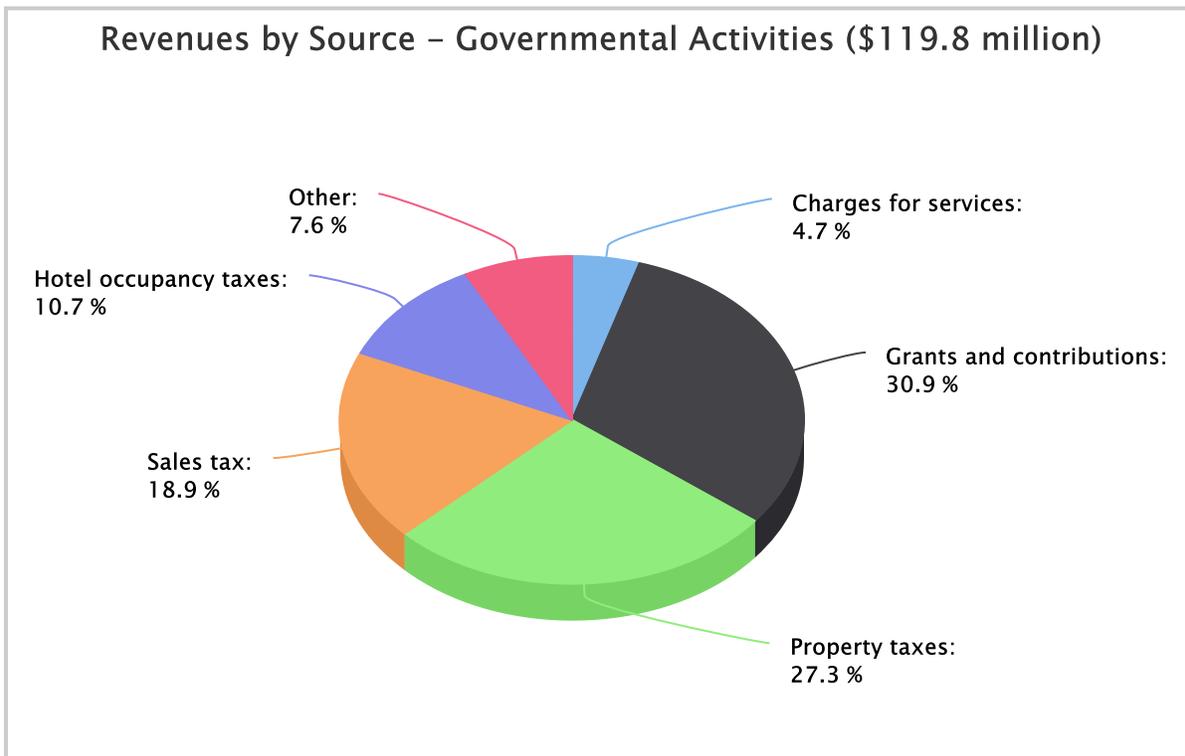
*As restated.

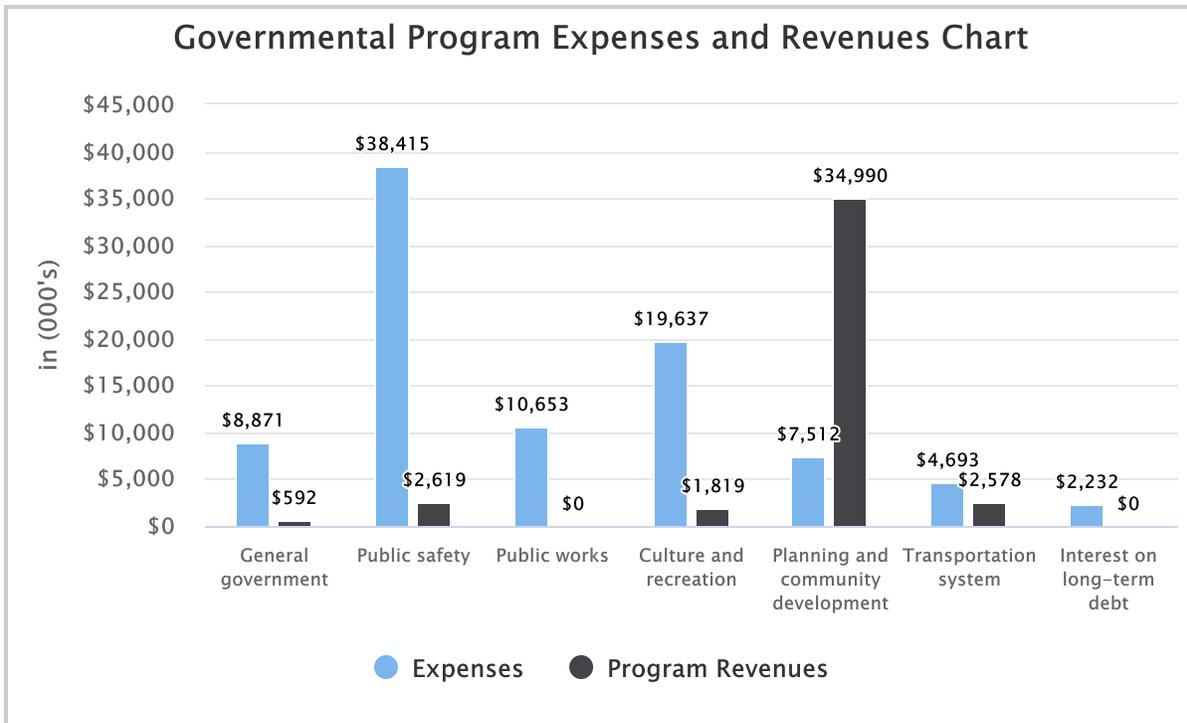
Governmental Activities

Governmental activities increased the City’s net position by \$14.7 million. Key elements of this increase are as follows:

- An increase in capital grants and contributions of \$5.9 million from \$27.6 million to \$33.5 million and a decrease in operating grants and contributions of \$1.0 million.
- Of the capital grants and contributions noted above, \$13.1 million is presented as being transferred out of Governmental Activities and into Business-Type Activities where it was invested in capital assets held by the City’s enterprise funds, primarily the Combined Utility System fund.
- Virtually all of the \$33.5 million in capital grants and contributions shown in Governmental Activities revenue is being invested in the City’s infrastructure.

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 federal grants awarded to the City for Hurricane Ike recovery and annual allocations of CDBG grants. The grant revenues for planning and community development were transferred to business-type activities for repairs and upgrades to the water and sewer systems.

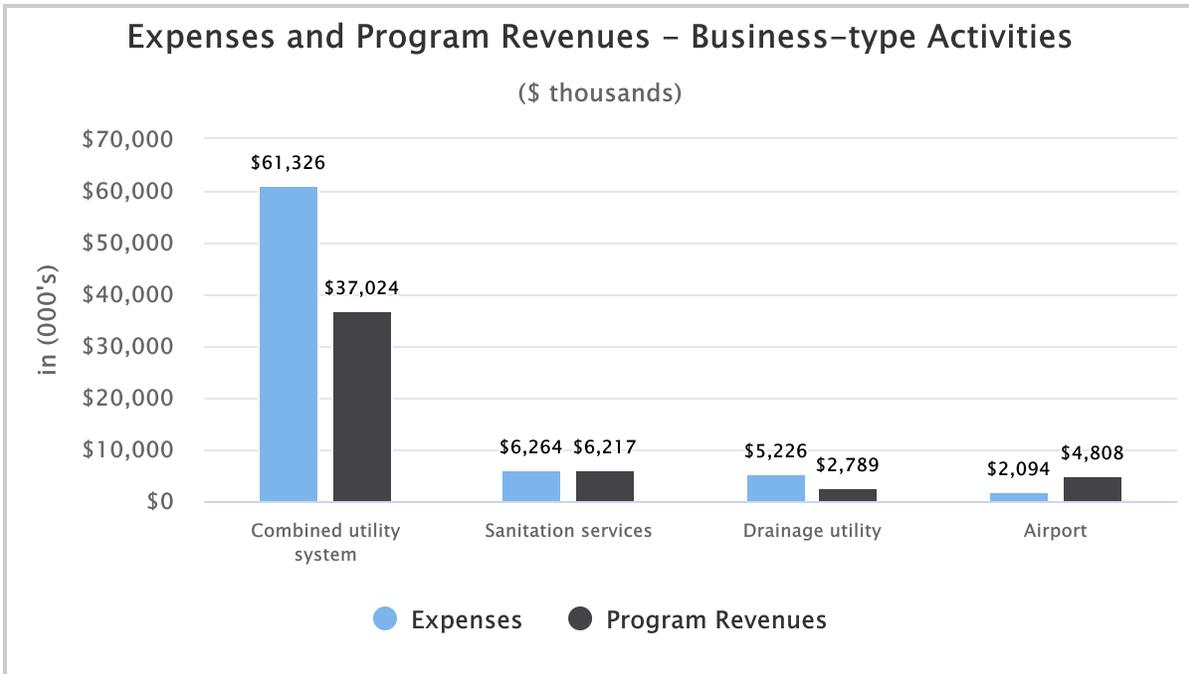
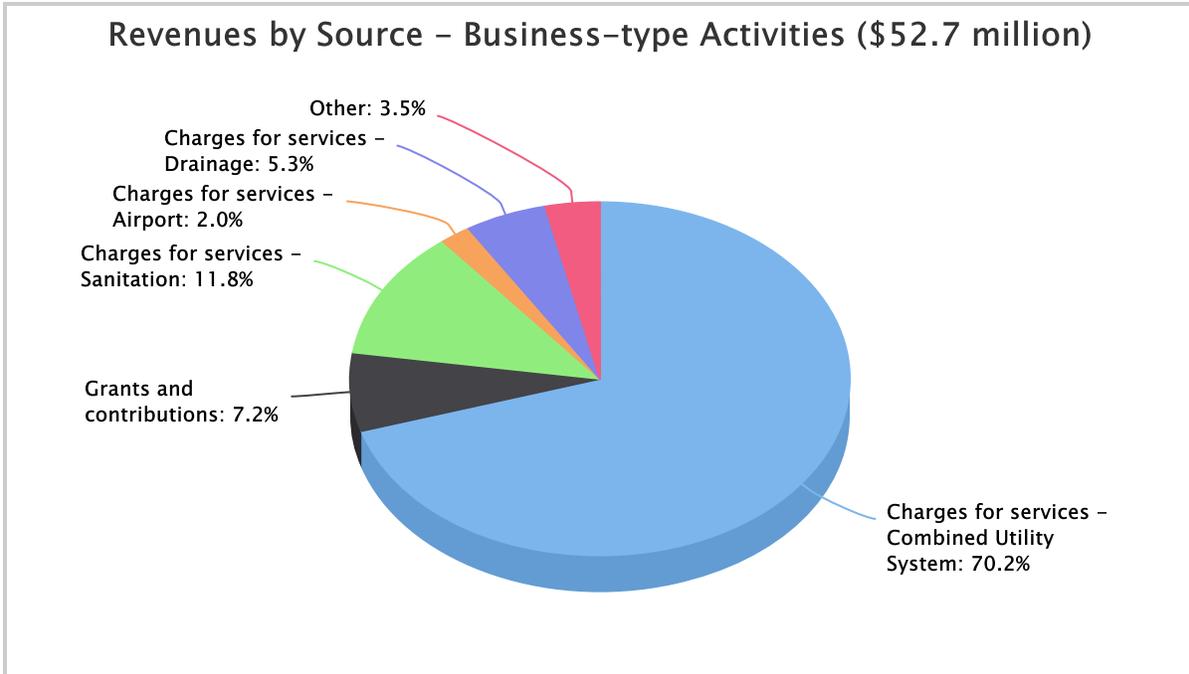




Business-type Activities

Business-type activities increased the City’s net position by \$18.8 million. Highlights for individual enterprise funds are as follows.

- Revenues for business-type activities totalled \$52.7 million, \$5.7 million more than total expenses for business-type activities, which were \$47.0 million.
- Transfers in from governmental activities were the result of grant funded contributions to business-type assets.
- Business-type activities generated \$2.5 million more in revenue due largely to the net effect of a \$3.2 million increase in capital grants and contributions and a decrease of \$1.3 in charges for services, primarily as a result of a \$0.7 million allowance for uncollectible accounts receivable recorded in the current fiscal year (see Note 5).



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 on 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.

The General Fund fund balance includes \$13.4 million, or ninety days of budgeted operating expenses assigned to be used for unforeseen emergencies and for one-time expenditures as approved by the City Council. The City also maintains a \$50 million emergency bridge loan (see Note 8) capacity that is available under provisions of state law for cash flow, debris removal and infrastructure repairs in the event of a

statewide and/or national emergency. If draws are made on the loan, proceeds may be repaid on a short-term or long-term basis up to ten years.

FEMA grant funds received for Hurricane Ike related work are almost expended and the remaining projects should be completed within the next twelve to eighteen months. CDBG Disaster grant funds are being expended for major transportation and facility projects that should be completed over a slightly longer time period.

The \$62 million General Obligation Bond Funds will continue to be expended in accordance with the street and drainage program designations authorized by the voters in May 2017 and the one year capital budget and five year Capital Improvement Plan (CIP) approved each year by City Council. The complete bond program for streets and drainage projects will require five years to complete, and the \$25 million issued in FY17 is just the first sale scheduled to implement those programs. Additional bonds will be sold on an as needed basis to meet project schedules approved by management and the City Council.

The Infrastructure and Debt Service Fund is not reported as a part of the General Fund but as its own governmental fund. This fund is the recipient of increasingly higher set asides of General Fund revenue in accordance with a City Charter requirement. In FY 2017, five percent of the total General Fund operating budget was transferred into this fund. By fiscal year 2020, according to the City Charter, General Fund contributions to this fund will equal the maximum level of eight percent of the operating budget per year. Its separate reporting status is appropriate so as to better demonstrate compliance with the City Charter. These funds are programmed through the CIP along with all other capital funds.

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 Combined Utility System fund has unrestricted net position at fiscal year end of \$17.0 million. The cash that is restricted and held in reserve as required by bond covenants includes \$4.4 million restricted for future debt service payments based on average annual future revenue supported debt service payments and \$62.0 million be used for capital projects.

General Fund Budgetary Highlights

The General Fund expenditures budget was amended three times in fiscal year 2019 based upon quarterly reports that were based on analysis of actual results used to make 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. A separate schedule is provided on page 83 that demonstrates compliance with this requirement.

Total actual revenues of \$54.91 million were higher than budget by \$815,000. The budget overrun consists of property taxes (\$133,000), sales taxes (\$374,000), licenses and permits (\$92,000), and fines and forfeitures (\$174,000). Other revenues provide an offset for the aforementioned overruns (e.g. franchise and other taxes and intergovernmental revenues).

The General Fund fund balance ended the year at \$16.5 million, \$3.312 million lower than the prior year primarily as a result of the CDM settlement payment (see Note 16). Expenditures underran budgets by \$1.7 million as a result of position vacancies and reduced spending in all departments in an effort to rebuild the City's reserves immediately after the CDM settlement was reached.

In compliance with the City Charter, a transfer from the General Fund to the Infrastructure and Debt Service Fund must occur annually. The transfer during FY 2019 equalled seven percent of the General Fund budget, or \$3.9 million. This transfer will reach its maximum level of eight percent in FY 2020 and be set aside every year thereafter from current revenue.

Capital Assets and Debt Administration

At the end of fiscal year 2019, the City's governmental activities and business-type activities had invested \$228.2 million and \$322.4 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$19.5 million or 9.3 percent over the end of the last fiscal year for governmental activities and a net increase of \$20.1 million or 6.6 percent for business-type activities. As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 20,895	\$ 20,450	\$ 2,786	\$ 2,489	\$ 23,681	\$ 22,939
Construction in progress	34,808	29,046	29,105	45,084	63,913	74,130
Infrastructure	107,727	102,592	131,235	112,889	238,962	215,481
Buildings and Improvements	51,990	43,954	139,744	123,060	191,734	167,014
Contractual water rights	-	-	9,507	10,605	9,507	10,605
Vehicles, equipment and furniture	12,733	12,618	10,001	8,185	22,734	20,803
Total Capital Assets	<u>\$ 228,153</u>	<u>\$ 208,660</u>	<u>\$ 322,378</u>	<u>\$ 302,312</u>	<u>\$ 550,531</u>	<u>\$ 510,972</u>

Additional information on capital assets can be found in Note 7 to the financial statements.

Construction in progress is at the \$63.9 million level, a decrease of \$10.2 from prior year, with projects plans approved for appropriations in the adopted capital budget for FY 2019 of \$86.5 million. Two major projects were completed in FY 2019, the 59th Street Pump Station (\$31.4 million) and Fire Station #1 (\$9.5 million). The most significant major projects still in progress are listed below:

- Public Services Facility construction (\$7.2 million)
- Airport wastewater treatment plant refurbishment (\$5.9 million)
- Various street milling and overlay projects (\$3.7 million)
- 45th Street reconstruction from Broadway to Seawall (\$2.9 million)
- Cedars Pump Station rehab (\$2.6 million).

Long-Term Debt

At the end of the current fiscal year, the City had total bonds, certificates of obligation and other obligations outstanding of \$170.0 million. This total included \$12.4 million in discounts and premiums that were a part of bond sales and are being amortized as a part of the City's long-term debt.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 28,775	\$ 31,131	\$ 11,970	\$ 13,499	\$ 40,745	\$ 44,630
Special obligation bonds	21,625	22,605	-	-	21,625	22,605
Contracts payable	-	-	8,623	11,821	8,623	11,821
Revenue bonds	-	-	18,540	20,255	18,540	20,255
Certificates of obligation	1,391	2,874	64,580	32,330	65,971	35,204
Accreted interest on capital appreciation bonds	1,689	3,134	-	-	1,689	3,134
Notes payable	388	507	-	-	388	507
Discount and premiums	3,681	3,972	8,700	6,690	12,381	10,662
	<u>\$ 57,549</u>	<u>\$ 64,223</u>	<u>\$ 112,413</u>	<u>\$ 84,595</u>	<u>\$ 169,962</u>	<u>\$ 148,818</u>

During FY 2019, the City increased its long-term debt by approximately \$19.4 million. Debt service is being paid on the City's outstanding long-term debt as shown below. Annual principal and interest payments are budgeted based on the projects actually provided with the proceeds from the borrowings.

<i>Amounts in (000's)</i>	Property Tax Supported	Combined Utility System Revenue Supported	Central Services Revenue Supported	Wharves Board Revenue Supported	Hotel Occupancy Tax Revenue Supported	Total
Property-Tax Supported Debt						
General Obligation Bonds	\$ 28,775	\$ 11,970	\$ -	\$ -	\$ -	\$ 40,745
Certificates of Obligation	-	64,580	-	1,391	-	65,971
Subtotal	<u>28,775</u>	<u>76,550</u>	<u>-</u>	<u>1,391</u>	<u>-</u>	<u>106,716</u>
Special Obligation Bonds	-	-	-	-	21,625	21,625
Revenue Bonds	-	18,540	-	-	-	18,540
Contracts Payable	-	8,623	-	-	-	8,623
Accreted interest on capital appreciation bonds	-	-	-	1,689	-	1,689
Notes Payable	-	-	388	-	-	388
Total Principal Payments	<u>\$ 28,775</u>	<u>\$ 103,713</u>	<u>\$ 388</u>	<u>\$ 3,080</u>	<u>\$ 21,625</u>	<u>\$ 157,581</u>

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. The national economy has slowed somewhat, but regional job growth continues. Local construction permits remain healthy and it is clear that Galveston's economic outlook is stable. The economic impact of the events of spring 2020 are being studied and the City's monitoring process is being used to make best use of available resources in FY 2020 and beyond.

The total adopted budget included \$146.5 million for maintenance and operations, an 8.41 percent decrease from FY 2019. One-time appropriations are budgeted at \$0.86 million, \$8.7 million less than last year. And the capital budget, based on the first year of the FY 2020-2024 Capital Improvement Plan is adopted to cover project appropriations totalling \$88.6 million, \$0.1 million, or 0.16 percent more than last year. The total budget is \$235.1 million, a 5.36 percent drop from last year's \$248.4 million budget.

The assumptions behind the FY 2020 Adopted Budget reflect Galveston's continued steady growth as documented in the transmittal letter of this report. FY 2020 property taxes are based on real estate market value in calendar year 2019. The property tax rate was increased from \$0.561 to \$0.579885, including \$0.527385 for maintenance and operations and \$0.525 for debt service. In accordance with the City Charter, the budget includes a General Fund transfer equal to eight percent of the budget (\$4.75 million) to the Infrastructure and Debt Service Fund. This transfer is being used to pay for projects in excess of \$100,000 and also to pay debt service for property tax supported bonds as required by the Charter.

For budget purposes, water and sewer rates were held constant as revenues continued to perform well. A water rate increase of seven percent was approved in February 2019 in order to continue the investment of local funds in the water system as contemplated in the City Council approved capital improvement plan.

Citywide operating priorities included \$2.29 million for health insurance to maintain current benefit levels, \$1.4 million for employee compensation and cost of living adjustments, \$395,000 for the full year's funding of the increased police pension contribution and \$1.3 million for filling non-General Fund positions, debt service of \$2.82 million and net reductions of \$4.4 million across the remaining spending categories including \$3.3 million less for vehicles and technology. Major closures due to public health concerns is forcing reconsideration of these spending plans for the balance of FY 2020. Every discretionary item is being reviewed and spending controls are being used coupled with the development of longer term strategies to provide basic, necessary city services to Galveston residents.

Requests for Information

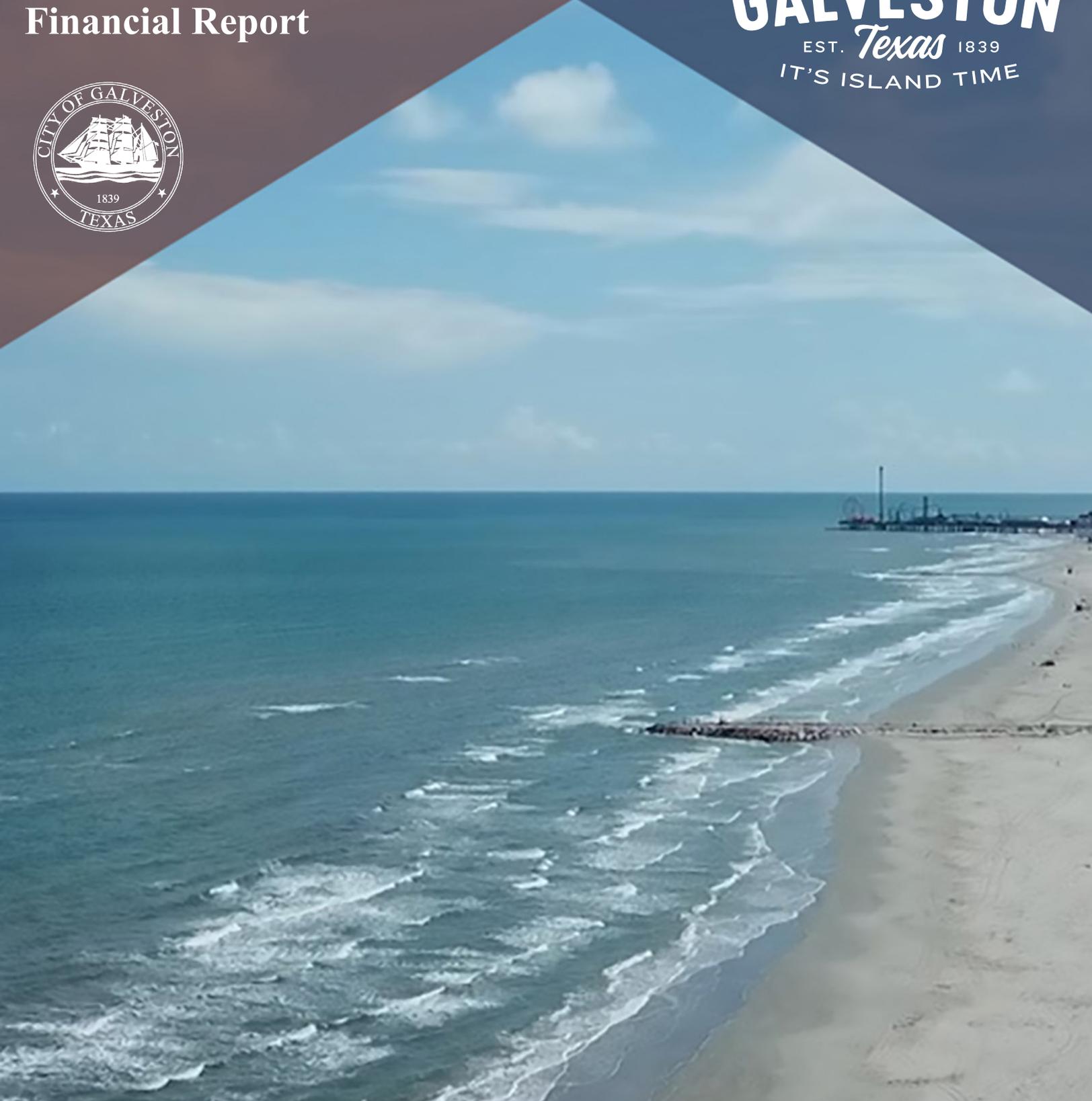
This financial report is designed to provide a general overview of the City of Galveston's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional

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 Statement

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2019 Comprehensive Annual Financial Report



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STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 14,802,757	\$ 7,801,830	\$ 22,604,587	\$ 26,410,140
Accounts receivable, net of allowance for doubtful accounts	4,699,754	11,718,691	16,418,445	8,063,531
Internal balances	(15,292,398)	15,292,398	-	-
Due from other governments	32,256,644	36,780	32,293,424	-
Restricted cash and investments	59,755,571	70,747,233	130,502,804	20,115,539
Inventories	570,859	237,113	807,972	9,251
Prepaid items	552,754	57,878	610,632	1,128,782
Total current assets	<u>97,345,941</u>	<u>105,891,923</u>	<u>203,237,864</u>	<u>55,727,243</u>
Non-current assets:				
Net investment in direct financing and capital leases	-	-	-	1,659,552
Capital assets not being depreciated	55,702,443	31,891,211	87,593,654	35,483,531
Capital assets net of depreciation	172,450,120	290,486,664	462,936,784	435,342,696
Total non-current assets	<u>228,152,563</u>	<u>322,377,875</u>	<u>550,530,438</u>	<u>472,485,779</u>
Total Assets	<u>325,498,504</u>	<u>428,269,798</u>	<u>753,768,302</u>	<u>528,213,022</u>
Deferred Outflows of Resources				
Deferred charge on bond issuance	411,442	992,823	1,404,265	145,057
Deferred outflows relating to other post-employment benefits (OPEB)	2,282,209	-	2,282,209	-
Deferred outflows relating to pension activities	20,244,351	3,559,228	23,803,579	984,558
Total Deferred Outflows of Resources	<u>22,938,002</u>	<u>4,552,051</u>	<u>27,490,053</u>	<u>1,129,615</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	8,168,407	4,491,269	12,659,676	15,046,284
Due to other governments	2,716,691	452,313	3,169,004	395,761
Accrued interest	701,968	1,758,283	2,460,251	598,789
Unearned revenue	3,881,971	290,568	4,172,539	2,235,668
Customer deposits	-	2,169,446	2,169,446	-
Long-term liabilities due within one year	8,250,721	7,385,954	15,636,675	6,784,360
Total current liabilities	<u>23,719,758</u>	<u>16,547,833</u>	<u>40,267,591</u>	<u>25,060,862</u>
Non-current liabilities:				
Long-term liabilities due in more than one year	61,387,191	106,562,949	167,950,140	66,496,322
Total OPEB liability (health insurance)	9,465,438	-	9,465,438	-
Net pension liability	76,114,627	8,329,901	84,444,528	2,442,467
Total non-current liabilities	<u>146,967,256</u>	<u>114,892,850</u>	<u>261,860,106</u>	<u>68,938,789</u>
Total Liabilities	<u>170,687,014</u>	<u>131,440,683</u>	<u>302,127,697</u>	<u>93,999,651</u>
Deferred Inflows of Resources				
Deferred inflows relating to OPEB	1,645,401	-	1,645,401	-
Deferred inflows relating to pension activities	3,785,254	486,814	4,272,068	846,633
Total Deferred Inflows of Resources	<u>5,430,655</u>	<u>486,814</u>	<u>5,917,469</u>	<u>846,633</u>
Net Position				
Net investment in capital assets	191,799,229	277,164,441	468,963,670	425,401,916
Restricted:				
Capital projects	16,653,076	-	16,653,076	-
Grants	540,074	-	540,074	-
Beach preservation	1,516,878	-	1,516,878	-
Infrastructure and debt service	4,168,643	-	4,168,643	-
Debt service	3,874,007	2,673,602	6,547,609	9,292,565
Tourism, convention and hotel industry	4,806,122	-	4,806,122	-
Unrestricted	(51,039,192)	21,056,309	(29,982,883)	(198,128)
Total Net Position	<u>\$ 172,318,837</u>	<u>\$ 300,894,352</u>	<u>\$ 473,213,189</u>	<u>\$ 434,496,353</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 8,871,388	\$ 126,740	\$ -	\$ 465,439
Public safety	38,414,736	2,017,789	601,244	-
Public works	10,652,677	-	-	-
Culture and recreation	19,637,450	1,603,755	100,000	114,772
Planning and community development	7,511,673	1,423,142	739,666	32,827,689
Transportation system	4,692,603	446,014	2,060,889	70,837
Interest on long-term debt	2,231,998	-	-	-
Total Governmental Activities	<u>92,012,525</u>	<u>5,617,440</u>	<u>3,501,799</u>	<u>33,478,737</u>
Business-type activities:				
Combined utility system	36,775,325	36,998,782	-	25,084
Sanitation	5,342,021	6,216,505	-	-
Drainage	3,064,012	2,788,825	-	-
Airport	1,768,468	1,055,613	50,000	3,701,945
Total Business-type Activities	<u>46,949,826</u>	<u>47,059,725</u>	<u>50,000</u>	<u>3,727,029</u>
Total Primary Government	<u>\$ 138,962,351</u>	<u>\$ 52,677,165</u>	<u>\$ 3,551,799</u>	<u>\$ 37,205,766</u>
Component Units	78,875,262	50,586,826	-	4,501,079
Total Component Units	<u>\$ 78,875,262</u>	<u>\$ 50,586,826</u>	<u>\$ -</u>	<u>\$ 4,501,079</u>

General revenues

- Property taxes
- Sales tax
- Hotel occupancy taxes
- Franchise and other taxes
- Payments in lieu of taxes
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues, special items and transfers

- 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 Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (8,279,209)	\$ -	\$ (8,279,209)	
(35,795,703)	-	(35,795,703)	
(10,652,677)	-	(10,652,677)	
(17,818,923)	-	(17,818,923)	
27,478,824	-	27,478,824	
(2,114,863)	-	(2,114,863)	
(2,231,998)	-	(2,231,998)	
<u>(49,414,549)</u>	<u>-</u>	<u>(49,414,549)</u>	
-	248,541	248,541	
-	874,484	874,484	
-	(275,187)	(275,187)	
-	3,039,090	3,039,090	
-	<u>3,886,928</u>	<u>3,886,928</u>	
\$ (49,414,549)	\$ 3,886,928	\$ (45,527,621)	
			\$ (23,787,357)
			<u>\$ (23,787,357)</u>
32,691,942	-	32,691,942	2,703,635
22,632,670	-	22,632,670	-
12,823,716	-	12,823,716	12,264,209
6,420,262	-	6,420,262	979,868
248,545	-	248,545	-
1,714,572	1,743,202	3,457,774	503,096
705,388	107,636	813,024	2,898,860
(13,099,071)	13,099,071	-	-
<u>64,138,024</u>	<u>14,949,909</u>	<u>79,087,933</u>	<u>19,349,668</u>
14,723,475	18,836,837	33,560,312	(4,437,689)
154,149,033	282,057,515	436,206,548	438,934,042
3,446,329	-	3,446,329	-
<u>\$ 172,318,837</u>	<u>\$ 300,894,352</u>	<u>\$ 473,213,189</u>	<u>\$ 434,496,353</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
 September 30, 2019

	General Fund	Hurricane Ike Fund	CDBG Disaster Fund Non-Housing	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,626,702	\$ -	\$ -	\$ 6,602,198	\$ 11,228,900
Receivables, net of allowance for uncollectibles	3,585,889	-	-	312,871	3,898,760
Due from other governments	4,119,960	7,770,532	12,389,967	6,386,011	30,666,470
Due from other funds	7,859,771	223,099	348	75,078	8,158,296
Inventories	-	-	-	331,719	331,719
Prepaid items	68,961	-	-	10,045	79,006
Restricted cash and investments	-	4,078,315	83,032	55,594,224	59,755,571
Total Assets	\$ 20,261,283	\$ 12,071,946	\$ 12,473,347	\$ 69,312,146	\$ 114,118,722
Liabilities					
Accounts payable	992,979	97,142	1,559,300	2,664,087	5,313,508
Accrued liabilities	3,349	39,207	2,037,319	351,044	2,430,919
Due to other funds	65,158	11,932,918	8,876,728	2,378,719	23,253,523
Due to other governments	137,474	-	-	6,765	144,239
Due to component unit	-	-	-	2,572,452	2,572,452
Unearned revenue	865,150	2,679	-	3,014,142	3,881,971
Total Liabilities	2,064,110	12,071,946	12,473,347	10,987,209	37,596,612
Deferred Inflows of Resources					
Unavailable revenue - property taxes	1,263,530	-	-	212,478	1,476,008
Unavailable revenue - court fines	423,968	-	-	-	423,968
Total Deferred Inflows of Resources	1,687,498	-	-	212,478	1,899,976
Fund Balance					
Nonspendable:					
Inventories	-	-	-	331,719	331,719
Prepaid items	68,961	-	-	10,045	79,006
Restricted:					
Debt service	-	-	-	4,465,821	4,465,821
Beach preservation	-	-	-	1,516,878	1,516,878
Infrastructure and debt service	-	-	-	4,168,643	4,168,643
Capital projects	-	-	-	35,359,833	35,359,833
Grants	-	-	-	540,074	540,074
Tourism, convention and hotel industry:					
Convention center operator	-	-	-	3,179,700	3,179,700
City of Galveston	-	-	-	1,626,422	1,626,422
Committed:					
Governmental projects	-	-	-	1,551,041	1,551,041
Assigned:					
Emergency reserves	13,384,909	-	-	-	13,384,909
Other	-	-	-	5,362,283	5,362,283
Unassigned	3,055,805	-	-	-	3,055,805
Total Fund Balance	16,509,675	-	-	58,112,459	74,622,134
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 20,261,283	\$ 12,071,946	\$ 12,473,347	\$ 69,312,146	\$ 114,118,722

See Notes to Financial Statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

September 30, 2019

Total fund balance, governmental funds	\$ 74,622,134
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 \$372,430,241 and the accumulated depreciation is \$150,143,904.	222,286,337
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.	
Property taxes receivable	1,476,008
Adjudicated municipal court fines	423,968
Long-term receivable from component unit	1,053,333
Certain liabilities, including bonds payable, compensated absences, claims and judgements, 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, claims and judgement, and net pension liability consists of:	
Bonds payable, at maturity	(51,790,905)
Accreted capital appreciation bonds	(1,689,589)
Accrued interest on the bonds	(701,968)
Premium/discount of bonds payable	(3,680,629)
Compensated absences	(9,794,940)
Deferred charge on refunding of debt	411,443
Net pension liability	(76,114,627)
	(143,361,215)
Deferred outflows and deferred inflows relating to pension activities	16,459,097
The assets and liabilities of certain internal service funds are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	(640,825)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 172,318,837</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General Fund	Hurricane Ike Fund	CDBG Disaster Fund Non-Housing	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property taxes	\$ 26,483,658	\$ -	\$ -	\$ 5,925,620	\$ 32,409,278
Sales tax	16,974,502	-	-	18,481,884	35,456,386
Franchise and other taxes	6,420,262	-	-	-	6,420,262
Licenses and permits	1,264,319	-	-	-	1,264,319
Fines and forfeitures	1,673,576	-	-	97,793	1,771,369
Charges for services	225,167	-	-	2,026,956	2,252,123
Investment earnings	391,743	-	-	1,215,902	1,607,645
Intergovernmental	465,439	1,289,584	31,469,332	6,658,581	39,882,936
Payments in lieu of taxes	248,545	-	-	-	248,545
Other	766,524	-	-	379,758	1,146,282
Total Revenues	<u>54,913,735</u>	<u>1,289,584</u>	<u>31,469,332</u>	<u>34,786,494</u>	<u>122,459,145</u>
Expenditures					
Current:					
General government	7,107,445	66,856	-	1,219,760	8,394,061
Public safety	32,317,957	-	-	759,811	33,077,768
Highways and roads	3,523,546	-	-	5,270,514	8,794,060
Culture and recreation	2,610,441	-	-	14,437,080	17,047,521
Planning and community development	2,083,009	105,092	305,157	6,184,115	8,677,373
Transportation	56,068	-	-	3,867,862	3,923,930
Debt Service:					
Principal	-	-	-	4,819,042	4,819,042
Interest and other charges	-	-	-	3,838,683	3,838,683
Capital Outlay	<u>926,991</u>	<u>1,430,493</u>	<u>31,164,175</u>	<u>14,610,543</u>	<u>48,132,202</u>
Total Expenditures	<u>48,625,457</u>	<u>1,602,441</u>	<u>31,469,332</u>	<u>55,007,410</u>	<u>136,704,640</u>
Excess (deficiency) of revenues over expenditures	<u>6,288,278</u>	<u>(312,857)</u>	<u>-</u>	<u>(20,220,916)</u>	<u>(14,245,495)</u>
Other Financing Sources (Uses)					
Sale of capital assets	229,303	-	-	-	229,303
Transfers in	2,193,506	312,857	-	14,279,383	16,785,746
Transfers (out)	(12,022,802)	-	-	(1,945,359)	(13,968,161)
Total Other Financing Sources and Uses	<u>(9,599,993)</u>	<u>312,857</u>	<u>-</u>	<u>12,334,024</u>	<u>3,046,888</u>
Net change in fund balance	<u>(3,311,715)</u>	<u>-</u>	<u>-</u>	<u>(7,886,892)</u>	<u>(11,198,607)</u>
Fund balance - beginning	<u>19,821,390</u>	<u>-</u>	<u>-</u>	<u>65,999,351</u>	<u>85,820,741</u>
Fund balance - ending	<u>\$ 16,509,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,112,459</u>	<u>\$ 74,622,134</u>

See Notes to Financial Statements.

**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, 2019

Net change in fund balance - total governmental funds:	\$ (11,198,607)
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 (\$10,160,492) is exceeded by capital outlay expenditures (\$29,634,605) in the current period.	19,474,113
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.	(139,578)
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.	153,070
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.	(3,160,000)
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.	8,004,978
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 of principal payments reported by Governmental funds.	4,819,042
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	(93,782)
Changes in deferred charge bond issuance and unamortized premiums	255,525
Changes in accrued compensated absences	(456,375)
Accretion on capital interest bonds	1,444,942
Accrued claims and judgements	13,500,000
Pension expense for the pension plan measurement year	(12,023,920)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance programs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(5,855,933)</u>
Change in net position of governmental activities	<u>\$ 14,723,475</u>

See Notes to Financial Statements.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2019

	Business-type Activities - Enterprise Funds			Governmental
	Combined Utility System	Other Enterprise Funds	Total	Activities Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,366,424	\$ 3,435,406	\$ 7,801,830	\$ 3,573,857
Accounts receivable, net of allowance for doubtful accounts	9,551,590	2,167,101	11,718,691	800,994
Due from other funds	15,134,100	407,090	15,541,190	34,805
Due from other governments	28,327	8,453	36,780	536,841
Inventories	237,113	-	237,113	239,140
Prepaid items	51,542	6,336	57,878	473,748
Restricted cash and cash equivalents	69,050,878	1,696,355	70,747,233	-
Total current assets	98,419,974	7,720,741	106,140,715	5,659,385
Non-current assets:				
Capital assets not being depreciated:				
Land	1,360,000	1,425,608	2,785,608	-
Construction in progress	22,676,085	6,429,518	29,105,603	720,529
Capital assets (net of depreciation):				
Infrastructure	109,344,624	21,890,011	131,234,635	-
Buildings and improvements	136,591,593	3,152,165	139,743,758	3,954,909
Equipment and furniture	1,960,176	1,952,369	3,912,545	807,262
Licensed vehicles	2,490,105	3,598,110	6,088,215	383,526
Intangibles	9,507,511	-	9,507,511	-
Total non-current assets	283,930,094	38,447,781	322,377,875	5,866,226
Total Assets	382,350,068	46,168,522	428,518,590	11,525,611
Deferred Outflows of Resources				
Deferred charge on refunding	992,823	-	992,823	-
Deferred outflows relating to OPEB	-	-	-	2,282,209
Deferred outflows relating to pension activities	2,033,844	1,525,384	3,559,228	-
Total Deferred Outflows of Resources	3,026,667	1,525,384	4,552,051	2,282,209
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	4,258,976	232,293	4,491,269	423,980
Accrued interest	1,758,283	-	1,758,283	-
Due to other funds	74,423	92,913	167,336	313,432
Due to other governments	152,036	300,277	452,313	-
Customer deposits	2,169,446	-	2,169,446	-
Unearned revenue	270,061	20,507	290,568	-
Long-term liabilities, due within one year	7,194,271	191,683	7,385,954	1,412,086
Total current liabilities	15,877,496	837,673	16,715,169	2,149,498
Non-current liabilities:				
Long-term liabilities, due in more than one year	106,072,816	490,133	106,562,949	1,269,764
Total OPEB liability	-	-	-	9,465,438
Net pension liability	4,759,943	3,569,958	8,329,901	-
Total non-current liabilities	110,832,759	4,060,091	114,892,850	10,735,202
Total Liabilities	126,710,255	4,897,764	131,608,019	12,884,700
Deferred Inflows of Resources				
Deferred inflows relating to OPEB	-	-	-	1,645,401
Deferred inflows relating to pension activities	278,179	208,635	486,814	-
Total Deferred Inflows of Resources	278,179	208,635	486,814	1,645,401
Net Position				
Net investment in capital assets	238,716,660	38,447,781	277,164,441	5,866,226
Restricted:				
Debt service	2,673,602	-	2,673,602	-
Unrestricted	16,998,039	4,139,726	21,137,765	(6,588,507)
Total Net Position	\$ 258,388,301	\$ 42,587,507	\$ 300,975,808	\$ (722,281)

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

Total Net Position per Government-Wide financial statements

(81,456)

\$ 300,894,352

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the Year Ended September 30, 2019

	Business-type Activities - Enterprise Funds			Governmental
	Combined Utility System	Other Enterprise Funds	Total	Activities Internal Service Funds
Operating Revenues				
Charges for services	\$ 36,998,782	\$ 10,060,943	\$ 47,059,725	\$ 21,556,317
Total operating revenues	<u>36,998,782</u>	<u>10,060,943</u>	<u>47,059,725</u>	<u>21,556,317</u>
Operating Expenses				
Personnel services	8,507,441	5,370,915	13,878,356	4,422,176
Contractual services	3,837,021	2,025,837	5,862,858	4,176,332
Supplies and materials	2,332,877	257,828	2,590,705	2,618,923
Surface water contract	7,860,860	-	7,860,860	-
Insurance claims and premiums	-	-	-	10,669,129
Other expenses	1,894,931	565,145	2,460,076	5,799,772
Depreciation	8,345,405	1,954,777	10,300,182	422,196
Total operating expenses	<u>32,778,535</u>	<u>10,174,502</u>	<u>42,953,037</u>	<u>28,108,528</u>
Operating income (loss)	<u>4,220,247</u>	<u>(113,559)</u>	<u>4,106,688</u>	<u>(6,552,211)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	1,634,398	108,804	1,743,202	106,927
Insurance proceeds	-	-	-	142,909
Intergovernmental grants	-	50,000	50,000	-
Gain on disposal of capital assets	83,581	24,055	107,636	34,174
Interest expense	(3,599,379)	-	(3,599,379)	(19,793)
Total non-operating revenue (expenses)	<u>(1,881,400)</u>	<u>182,859</u>	<u>(1,698,541)</u>	<u>264,217</u>
Income (loss) before contributions and transfers	<u>2,338,847</u>	<u>69,300</u>	<u>2,408,147</u>	<u>(6,287,994)</u>
Capital contributions	15,089,349	4,179,001	19,268,350	409,986
Transfers in	-	-	-	2,461,465
Transfers (out)	(1,721,918)	(720,332)	(2,442,250)	(2,836,800)
Change in net position	<u>15,706,278</u>	<u>3,527,969</u>	<u>19,234,247</u>	<u>(6,253,343)</u>
Net position - beginning	<u>242,682,023</u>	<u>39,059,538</u>	<u>281,741,561</u>	<u>5,531,062</u>
Net position - ending	<u>\$ 258,388,301</u>	<u>\$ 42,587,507</u>	<u>\$ 300,975,808</u>	<u>\$ (722,281)</u>
Change in net position per above			\$ 19,234,247	
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.			(397,410)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements			<u>\$ 18,836,837</u>	

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**
For the Year Ended September 30, 2019

	Business-type Activities - Enterprise Funds			Governmental
	Combined Utility System	Other	Total	Internal Service
		Enterprise Funds		Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 36,985,891	\$ 9,065,785	\$ 46,051,676	\$ 10,371,397
Receipts for interfund services	-	62,000	62,000	11,314,407
Disbursed for employee services	(7,963,053)	(4,571,020)	(12,534,073)	(4,440,894)
Disbursed for goods and services	(20,624,841)	(2,275,050)	(22,899,891)	(22,904,384)
Net cash provided (used) by operating activities	<u>8,397,997</u>	<u>2,281,715</u>	<u>10,679,712</u>	<u>(5,659,474)</u>
Cash Flows from Non-Capital Financial Activities:				
Transfers from other funds	-	-	-	2,461,465
Transfers to other funds	(1,721,918)	(720,332)	(2,442,250)	(2,836,800)
Net cash provided (used) by noncapital financing activities	<u>(1,721,918)</u>	<u>(720,332)</u>	<u>(2,442,250)</u>	<u>(375,335)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment	115,510	24,055	139,565	34,174
Intergovernmental grants	-	50,000	50,000	-
Capital grants	25,084	604,735	629,819	-
Insurance proceeds	-	-	-	142,909
Proceeds from issuance of debt	35,393,998	-	35,393,998	-
Bond issuance costs	(391,466)	-	(391,466)	-
Interest payments on debt	(2,841,705)	-	(2,841,705)	(118,969)
Principal payments on debt	(6,941,421)	-	(6,941,421)	(19,793)
Acquisition and construction of capital assets	(9,264,600)	(2,343,795)	(11,608,395)	(170,180)
Net cash provided (used) by capital and related financing activities	<u>16,095,400</u>	<u>(1,665,005)</u>	<u>14,430,395</u>	<u>(131,859)</u>
Cash Flows from Investing Activities				
Interest received	1,634,398	108,804	1,743,202	106,927
Net cash provided (used) by investing activities	<u>1,634,398</u>	<u>108,804</u>	<u>1,743,202</u>	<u>106,927</u>
Net increase (decrease) in cash and equivalents	<u>24,405,877</u>	<u>5,182</u>	<u>24,411,059</u>	<u>(6,059,741)</u>
Cash and equivalents, beginning of year	49,011,425	5,126,579	54,138,004	9,633,598
Cash and equivalents, at end of year	<u>\$ 73,417,302</u>	<u>\$ 5,131,761</u>	<u>\$ 78,549,063</u>	<u>\$ 3,573,857</u>
Unrestricted cash and equivalents	\$ 4,366,424	\$ 3,435,406	\$ 7,801,830	\$ 3,573,857
Restricted cash and equivalents	69,050,878	1,696,355	70,747,233	-
	<u>\$ 73,417,302</u>	<u>\$ 5,131,761</u>	<u>\$ 78,549,063</u>	<u>\$ 3,573,857</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 4,220,247	\$ (113,559)	\$ 4,106,688	\$ (6,552,211)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	7,793,279	1,954,777	9,748,056	422,196
(Increase) decrease in accounts receivable	(906,022)	(12,991)	(919,013)	(99,205)
(Increase) decrease in inventory	(120,977)	-	(120,977)	72,514
(Increase) decrease in prepaid items	210,405	6,336	216,741	(41,997)
(Increase) decrease in interfund receivables and payables	(2,740,701)	(219,228)	(2,959,929)	225,288
(Increase) decrease in deferred outflows/inflows related to pension activities	(1,320,016)	(997,414)	(2,317,430)	-
(Increase) decrease in deferred outflows/inflows relating to OPEB	-	-	-	(42,058)
Increase (decrease) in accounts payable and accrued expenses	(983,893)	245,210	(738,683)	58,373
Increase (decrease) in customer deposits	111,210	-	111,210	-
Increase (decrease) in claims payable	-	-	-	(10,827)
Increase (decrease) in compensated absences payable	45,267	5,345	50,612	(18,718)
Increase (decrease) in deferred revenue	270,061	(1,081)	268,980	-
Increase (decrease) in total OPEB liability	-	-	-	327,171
Increase (decrease) in net pension liability	1,819,137	1,414,320	3,233,457	-
Net cash provided (used) by operating activities	<u>\$ 8,397,997</u>	<u>\$ 2,281,715</u>	<u>\$ 10,679,712</u>	<u>\$ (5,659,474)</u>
Non-cash Transactions:				
Capital contributions	\$ 15,064,265	\$ 3,565,813	\$ 18,630,078	\$ 409,986

See Notes to Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

	Pension Trust Funds as of December 31, 2018	Agency Fund as of September 30, 2019
Assets		
Cash and temporary investments	\$ 978,411	\$ 697,534
Receivables		
Accounts receivable	53,819	-
Interest and dividends	65,629	-
Loans to participants	189,503	-
Prepaid items	11,307	-
Investments		
Money market funds	2,279,135	-
U.S. Government agencies	-	-
Bonds	5,499,614	-
Common stocks	14,146,130	-
Equity mutual funds	51,415,047	-
Bond mutual funds	18,331,074	-
Alternative investments	10,232,964	-
Real estate	5,704,245	-
Total Assets	<u>108,906,878</u>	<u>\$ 697,534</u>
Liabilities		
Accounts and refunds payable	47,851	697,534
Total Liabilities	<u>47,851</u>	<u>\$ 697,534</u>
Net Position - Restricted for Pension Benefits		
Held in trust for benefits and other purposes	108,859,027	
Total Net Position - Restricted for Pension Benefits	<u>\$ 108,859,027</u>	

See Notes to Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended December 31, 2018

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 6,450,327
Plan members	4,408,986
Total contributions	<u>10,859,313</u>
Investment Earnings:	
Net increase in fair value of investments	(8,275,631)
Interest and dividends	2,599,379
Less investment expenses	(375,536)
Net investment income	<u>(6,051,788)</u>
Other income	933
Total Additions	4,808,458
Deductions	
Benefits paid to members and beneficiaries	11,973,820
Refunds of contributions	28,941
Administrative expenses	692,757
Total Deductions	<u>12,695,518</u>
Change in net position	(7,887,060)
Net position - restricted for pensions, beginning of year	<u>116,746,087</u>
Net position - restricted for pensions, end of year	<u>\$ 108,859,027</u>

See 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 renourishment 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, 2018.

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 three different tax reinvestment zones - zones 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 (Campeche 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. The City Appoints an advisory board to aid and assist the City in the preparation of the assessment roll, collection of assessments and the operation and management of Campeche 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.

Public Improvement District- Beachside Village

Beachside Village Public Improvement District (Beachside 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. The City Appoints an advisory board to aid and assist the City in the preparation of the assessment roll, collection of assessments and the operation and management of Beachside District. 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.

Public Improvement District - 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%.

On November 7, 2017, Lafitte's Harbor Development I LP filed for Chapter 11 Bankruptcy at the United States Bankruptcy Court for the Southern District of Texas, Houston Division. All debt service payments have been made on schedule as of March 2020 using reserves programmed for that purpose and assessments collected. The City has no financial or legal responsibility for payment of the bonds. The City's only responsibility is to pursue collections of assessments which is performed by a third party contractor on behalf of the City.

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

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 interfund 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.

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. Budgets for all funds, including enterprise and governmental funds are based on the current financial resources focus and modified accrual basis of accounting as well. Budget to actual schedules include adjustments to include this budgetary focus.

Property taxes, sales 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.

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 the wastewater 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 **Combined Utility System Fund** (formerly the Waterworks System Fund and Sewer System Fund) accounts for the provision of water and 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 interfund 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.

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 Pools. All investments are recorded at fair value based on quoted market prices at year-end date. 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.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

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 24.9 percent of total property taxes including the related penalty and interest accrual as of year-end. The allowance for enterprise fund charges for services is 37.4 percent 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, 2019 are recorded as prepaid items.

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, donated works of art and similar items, and capital assets received in service concession arrangements are recorded at acquisition value rather than fair market value.

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:

Asset Description	Estimated Useful Life
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.

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 the 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.

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

The adoption of the budget shall require a favorable vote of at least a majority of all the members of the Council. In the event that the budget has not been adopted by the beginning of the fiscal year the latest

budget proposed by the City Manager shall take and remain in effect until the budget is finally adopted by the 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 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.

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 2019. 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 administrative level of control is at the department category level and the legal level of control is at the department level by fund.

N. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles ("GAAP"), 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. Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by the City's third-party actuary in compliance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Q. 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 three items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported for the City 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.
- Deferred outflows of resources for other postemployment benefits (OPEB) – Reported for the City in the government-wide and enterprise fund financial statement of net position. One portion of this deferred outflow results from contributions to the OPEB plan made after the measurement date of the OPEB liability. The other OPEB related deferred outflows result primarily from differences between projected and actual earnings on plan investments. These amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with the OPEB through the OPEB plan.
- 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 qualifies for reporting in this category:

- Deferred gain on refunding reported in the statement of net position – This deferred inflow results from the difference in carrying value the 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. The other OPEB related deferred outflows result primarily from differences between projected and actual earnings on plan investments.

R. New Accounting Standards

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

- *GASB Statement No. 83*, Certain Asset Retirement Obligations (“ARO”), which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO’s. This statement requires that recognition occur when the liability is both incurred and reasonably estimated.

The City does not have any ARO’s that have been incurred and reasonably estimated.

- *GASB Statement No. 88*, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements, which requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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, municipal obligations, and non-rated U.S. Securities and Exchange Commission (SEC) registered money market mutual funds.

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 and Local Government Investment Pools. 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.

Collateral, with a 110% 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. All bank deposits, totalling \$13.7 million, were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

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 Security and Exchange Commission 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 which is an individual investment portfolio established by the TexTerm Advisory Board pursuant to the TexTerm Common Investment Contract that established the Pool. Texas Daily is a local government investment portfolio that allow governments to pool their funds for investment under the provisions of the Interlocal 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 this pool is the same as the value of the pool shares, which are valued based on quoted market rates.

The City began investing funds in Local Government Investment Cooperative (LOGIC) in FY 2019. LOGIC is a local government investment pool created by Texas local government officials who understand the specific needs and challenges of investing public funds. LOGIC is administered by HilltopSecurities and JPMorgan Chase. Together these organizations bring to the LOGIC program the two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. The City's investment in this pool is 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 local government investment pools.

As of September 30, 2019,

- Investments in AAAM-rated local government investment pools represented 42.0% of the total portfolio, and
- Holdings in AA+-rated US Government securities represented 49.1% of the total portfolio.
- Bank deposits represented 8.9% 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:

Investment Type:	Fair Value / Amortized Cost	Credit Quality Rating		Percentage of Investments
		S & P	Moody's	
Bank Accounts:				
Frost Bank-Sweep Repo	\$ 4,838,000			3.16%
US Bank-HOT Funds	7,344,416			4.80%
Frost Bank-Deposit Accounts	1,507,985			0.97%
Total Bank Accounts	<u>13,690,401</u>			<u>8.93%</u>
Local Government Investment Pools:				
TexPool	10,521,172	AAAm		6.87%
Texas Term	1,128,876	AAAm		0.74%
Local Government Investment Cooperative (LOGIC)	52,583,472	AAAm		34.34%
Total Local Government Investment Pools	<u>64,233,520</u>			<u>41.95%</u>
Investment Securities:				
Federal National Mortgage Assoc.	15,027,847	AA+	Aaa	9.82%
Federal Home Loan Mortgage Corp.	7,984,646	AA+	Aaa	5.22%
Federal Home Loan Bank	7,051,898	AA+	Aaa	4.61%
US Treasury Securities	45,119,079	AA+	Aaa	29.47%
Total Investment Securities	<u>75,183,470</u>			<u>49.12%</u>
Total Investment Portfolio	<u>\$ 153,107,391</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 five years for reserve funds.

A segmented time distribution analysis for the Primary Government portfolio by market sector is shown below.

Investment Type	Investment Maturities in Years	Investment Maturities in Years
	Less than 1 year	1 - 5 years
U.S. Treasury Notes and Bills	\$ 45,119,079	\$ -
U.S. Agency Securities:		
Federal Home Loan Mortgage Corp.	7,984,646	-
Federal Home Loan Bank	7,051,898	-
Federal National Mortgage Association	15,027,847	-
Local Government Pools	64,233,520	-
Total	<u>\$ 139,416,990</u>	<u>\$ -</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.

Investments' fair value measurements are as follows as of September 30, 2019:

	Fair Value / Amortized Cost	Fair Value Measurements Using			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investment Securities:					
Federal Home Loan Bank	7,051,898	-	7,051,898	-	162
Freddie Mac	7,984,646	-	7,984,646	-	109
Fannie Mae	15,027,847	-	15,027,847	-	92
US Treasury Securities	45,119,079	45,119,079	-	-	84
Total Investment Securities	<u>\$ 75,183,470</u>	<u>\$ 45,119,079</u>	<u>\$ 30,064,391</u>	<u>\$ -</u>	<u>96</u>

Note 3 – Property Tax

According to the Tax Code of the State of Texas, property values are established through appraisal and appeals processes administered by the Galveston County Appraisal District. As provided by law, the Galveston City Council has designated the Galveston County Tax Assessor-Collector as the City Tax Assessor-Collector. Reports and information provided in this Comprehensive Annual Financial Report for property values and collections, including current and delinquent taxes, originate with these two County agencies.

The City may levy taxes up to \$2.50 per \$100 of net appraised assessed value under state law; however amendments to the City Charter approved by the voters placed additional limits of the city's total property tax rate. Approved in a charter election on January 20, 1979, language in Article VII Section 2 of the City Charter provides that the maximum property tax rate will be \$0.70 per \$100 of taxable valuation. This is inclusive of taxes levied to retire debt service, and the tax amount levied each year for the Rosenberg Library.

Subsequently, the voters of the City of Galveston approved language in Article VII, Section 2(b) of the City Charter that reduces the maximum tax rate each year based on sales tax collections. When the certified property tax roll is delivered by the Chief Appraiser in late July, the Tax Assessor-Collector calculates the City's effective tax rate in accordance with State law, including the sales tax collection allowance.

This allowance is based on receipts from one-fourth of the City's two percent sales tax generated for the prior July to June twelve month period. The effective tax rate calculation then requires a reduction in the total property tax rate equal to the property tax rate that would produce the same amount of sales tax collected as described. For FY 2019, the maximum property tax rate was \$0.602339. Within these guidelines, the adopted tax rate per \$100 of taxable valuation, for the year ended September 30, 2019, was \$0.5610. The tax rate to finance general governmental services was set at \$0.5085 and the tax rate for all other purposes, including debt service, was set at \$0.0525 per \$100 of assessed valuation.

Under the Texas Property Tax Code, property taxes are certified by the Chief Appraiser on or by July 25. The County Tax Assessor-Collector, acting in that capacity for the City, then presents the certified roll to the City Council accompanied by the effective tax rate calculation for that tax year. The City Council must adopt a budget first and then adopt a property tax rate by September 30, or within sixty days after receipt of the tax roll from the Chief Appraiser. Taxes are due on a current basis by January 31. Late penalties and interest apply thereafter, including a twenty percent delinquent attorney's collection fee on July 1 should taxes not be paid prior to that time. There is no specific date for liens to be placed on properties for nonpayment of taxes.

Note 4 - Sales Tax

The City's sales tax rate is 2.0 percent for the year ended September 30, 2019. This rate includes 1.0 percent that generates receipts for general municipal operations that is deposited in the General Fund. Also deposited in the General Fund is the 0.5 percent sales tax collected for property tax rate reduction purposes (see Note 3). The remaining 0.5 percent is levied for economic development purposes and is deposited in the Industrial Development Corporation's funds.

On November 4, 2008, voters extended the economic development 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 strictly according to the language adopted by the voters. That language dedicates this economic development in four equal portions for beach renourishment, for streets, sewer and drainage improvement projects, for economic development programs and projects, and park improvements.

Note 5 - Accounts Receivable

Receivables, as of September 30, 2019, for the City's individual major funds, non-major funds and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Hurricane Ike Fund</u>	<u>CDBG Disaster Fund Non-Housing</u>	<u>Non -Major Governmental Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Receivables:						
Property taxes	\$ 2,523,329	\$ -	\$ -	\$ 345,949	\$ 2,869,278	\$ -
Sales and use taxes	3,095,754	-	-	1,031,920	4,127,674	-
Franchise taxes	444,946	-	-	41,825	486,771	-
Hotel taxes	-	-	-	1,801,651	1,801,651	-
Court fines	3,139,589	-	-	-	3,139,589	-
Customer accounts	415,487	-	-	-	415,487	84,338
Intergovernmental	1,024,206	7,770,532	12,389,967	3,552,440	24,737,145	536,841
Other	857,188	-	-	58,568	915,756	716,656
Allowance for uncollectibles	(3,794,650)	-	-	(133,471)	(3,928,121)	-
Total	<u>\$ 7,705,849</u>	<u>\$ 7,770,532</u>	<u>\$ 12,389,967</u>	<u>\$ 6,698,882</u>	<u>\$ 34,565,230</u>	<u>\$ 1,337,835</u>

BUSINESS TYPE ACTIVITIES

	<u>Combined Utility System</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Receivables:			
Customer accounts	\$ 13,842,312	\$ 3,609,214	\$ 17,451,526
Intergovernmental	28,327	8,453	36,780
Other	786,371	10,818	797,189
Allowance for uncollectibles	(5,077,093)	(1,452,931)	(6,530,024)
Total	<u>\$ 9,579,917</u>	<u>\$ 2,175,554</u>	<u>\$ 11,755,471</u>

Note 6 - Interfund Transfers and Receivables

Interfund transfers for the primary government are as follows for the year ended September 30, 2019:

	Transfer In Fund				Totals
	General Fund	Hurricane Ike Fund	Non-Major Governmental Funds	Internal Service Funds	
Transfer Out Fund					
General Fund	\$ -	\$ 165,830	\$ 11,856,972	\$ -	\$ 12,022,802
Non-Major Governmental Funds	54,705	-	1,815,989	74,665	1,945,359
Combined Utility System Fund	1,590,564	63,246	68,108	-	1,721,918
Other Enterprise Funds	548,237	83,781	88,314	-	720,332
Internal Service Funds	-	-	450,000	2,386,800	2,836,800
	<u>\$ 2,193,506</u>	<u>\$ 312,857</u>	<u>\$ 14,279,383</u>	<u>\$ 2,461,465</u>	<u>\$ 19,247,211</u>

The following is a detail of the interfund transfers:

Transfer from	Transfer to	Purpose
General Fund	Hurricane Ike Fund	Local Grant Match
Combined Utility System Fund	Hurricane Ike Fund	Local Grant Match
Airport Enterprise Fund	Hurricane Ike Fund	Local Grant Match
General Fund	Hurricane Harvey Fund	Local Grant Match
Combined Utility System Fund	Hurricane Harvey Fund	Local Grant Match
Airport Enterprise Fund	Hurricane Harvey Fund	Local Grant Match
Island Transit Capital Projects Fund	Convention Center Surplus Fund	Excess HOT Funds
Project Specific Programs	Central Garage Fund	Transfer Insurance Proceeds
Convention Center Surplus Fund	Island Transit Capital Projects Fund	Transfer for Trolley Track System
Convention Center Surplus Fund	Island Transit Fund	Transfer for Seawall Operating Expenses
Combined Utility System Fund	General Fund	General Administrative Charges
Sanitation Enterprise Fund	General Fund	General Administrative Charges
Airport Enterprise Fund	General Fund	General Administrative Charges
Drainage Enterprise Fund	General Fund	General Administrative Charges
Revenue Producing Parks	General Fund	General Administrative Charges
Convention Center Surplus Fund	General Fund	Special Event Funding Transfer
General Fund	Infrastructure and Debt Service Fund	Charter Mandated Transfer
General Fund	Island Transit	General Operations
IDC - Parks	Lasker Pool	Operating Transfer
General Fund	Public Safety Programs	Quartermaster Operations
General Fund	Separation Pay Fund	Transfer Budgeted Amount to Separation Pay
Airport Enterprise Fund	Separation Pay Fund	Transfer Budgeted Amount to Separation Pay
Sanitation Enterprise Fund	Separation Pay Fund	Transfer Budgeted Amount to Separation Pay
Combined Utility System Fund	Separation Pay Fund	Transfer Budgeted Amount to Separation Pay
Drainage Enterprise Fund	Separation Pay Fund	Transfer Budgeted Amount to Separation Pay
Central Service Fund	Technology Improvement Fund	Technology Improvements
Infrastructure and Debt Service Fund	Debt Service Fund	Transfer Budgeted Amount to Debt Service Fund
General Fund	Settlement and Capital Reserve Fund	CDM Settlement
Workers' Compensation Insurance Fund	Casualty & Liability Insurance	CDM Settlement

The following is a detail of interfund receivables and payables for the primary government as of September 30, 2019:

	Receivable Funds: Due From							Totals
	General Fund	Hurricane Ike Fund	CDBG Disaster Fund Non-Housing	Non-Major Governmental Funds	Combined Utility System Fund	Other Enterprise Funds	Internal Service Funds	
Payable Funds: Due To								
General Fund	\$ -	\$ 65,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,158
Hurricane Ike Fund	1,625,507	-	-	46,749	9,825,344	407,090	28,228	11,932,918
CDBG Disaster Fund Non-Housing	3,753,033	-	-	-	5,123,695	-	-	8,876,728
Non-Major Governmental Funds	2,325,962	-	-	26,067	20,113	-	6,577	2,378,719
Combined Utility System Fund	-	74,423	-	-	-	-	-	74,423
Other Enterprise Funds	6,785	83,518	348	2,262	-	-	-	92,913
Internal Service Funds	148,484	-	-	-	164,948	-	-	313,432
	<u>\$ 7,859,771</u>	<u>\$ 223,099</u>	<u>\$ 348</u>	<u>\$ 75,078</u>	<u>\$ 15,134,100</u>	<u>\$ 407,090</u>	<u>\$ 34,805</u>	<u>\$ 23,734,291</u>

The following is a detail of interfund receivables and payables:

Due to	Due from	Purpose
General Fund	CDBG Disaster Fund Non-Housing	Adjust for Negative Fund Cash Amounts
General Fund	Non-Major Governmental Funds	Adjust for Negative Fund Cash Amounts
General Fund	Internal Service Funds	Adjust for Negative Fund Cash Amounts
Combined Utility System Fund	Internal Service Funds	Adjust for Negative Fund Cash Amounts
General Fund	Other Enterprise Funds	Sales Tax Accrual
Non-Major Governmental Funds	Other Enterprise Funds	Sales Tax Accrual
CDBG Disaster Fund Non-Housing	Combined Utility System Fund	City's Share of Disaster Recovery Projects
CDBG Disaster Fund Non-Housing	Other Enterprise Funds	City's Share of Disaster Recovery Projects
Non-Major Governmental Funds	General Fund	City's Share of Disaster Recovery Projects
Non-Major Governmental Funds	Combined Utility System Fund	City's Share of Disaster Recovery Projects
Non-Major Governmental Funds	Non-Major Governmental Funds	City's Share of Disaster Recovery Projects
Non-Major Governmental Funds	Other Enterprise Funds	City's Share of Disaster Recovery Projects
Combined Utility System Fund	CDBG Disaster Fund Non-Housing	City's Share of Disaster Recovery Projects
Combined Utility System Fund	Non-Major Governmental Funds	City's Share of Disaster Recovery Projects
Other Enterprise Funds	Non-Major Governmental Funds	City's Share of Disaster Recovery Projects

Note 7 - Capital Assets

The following is a detail of capital asset activity for the year ended September 30, 2019:

	Balance September 30, 2018	Increases	Decreases / Transfers	Balance September 30, 2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 20,450,072	\$ 444,560	\$ -	\$ 20,894,632
Construction in progress	29,046,306	27,552,896	(21,791,391)	34,807,811
Total capital assets not being depreciated	<u>49,496,378</u>	<u>27,997,456</u>	<u>(21,791,391)</u>	<u>55,702,443</u>
Other capital assets:				
Infrastructure	187,186,972	53,093	11,545,684	198,785,749
Buildings and improvements	62,024,684	37,710	9,490,698	71,553,092
Licensed vehicles	24,171,752	984,452	(881,846)	24,274,358
Machinery and equipment	18,928,923	1,142,061	533,996	20,604,980
Improvements other than buildings	11,900,925	-	22,182	11,923,107
Total other capital assets	<u>304,213,256</u>	<u>2,217,316</u>	<u>20,710,714</u>	<u>327,141,286</u>
Less accumulated depreciation for:				
Infrastructure	(90,776,844)	(6,120,213)	-	(96,897,057)
Buildings and improvements	(18,070,212)	(1,493,249)	-	(19,563,461)
Licensed vehicles	(15,833,388)	(1,621,354)	742,268	(16,712,474)
Machinery and equipment	(14,648,930)	(983,718)	198,831	(15,433,817)
Improvements other than buildings	(5,720,203)	(364,154)	-	(6,084,357)
Total accumulated depreciation	<u>(145,049,577)</u>	<u>(10,582,688)</u>	<u>941,099</u>	<u>(154,691,166)</u>
Other capital assets, net	159,163,679	(8,365,372)	21,651,813	172,450,120
Totals	<u>\$ 208,660,057</u>	<u>\$ 19,632,084</u>	<u>\$ (139,578)</u>	<u>\$ 228,152,563</u>
	Balance September 30, 2018	Increases	Decreases / Transfers	Balance September 30, 2019
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,489,331	\$ 101,433	\$ 194,844	\$ 2,785,608
Construction in progress	45,084,148	26,702,296	(42,680,841)	29,105,603
Total capital assets not being depreciated	<u>47,573,479</u>	<u>26,803,729</u>	<u>(42,485,997)</u>	<u>31,891,211</u>
Other capital assets:				
Improvements other than buildings	185,847,831	-	22,736,059	208,583,890
Building and system	155,889,926	11,583	19,848,406	175,749,915
Machinery and equipment	13,162,838	1,798,858	(220,621)	14,741,075
Licensed vehicles	14,727,620	1,783,823	(2,841,365)	13,670,078
Contractual water rights	31,822,375	-	-	31,822,375
Total other capital assets	<u>401,450,590</u>	<u>3,594,264</u>	<u>39,522,479</u>	<u>444,567,333</u>
Less accumulated depreciation for:				
Improvements other than buildings	(72,959,452)	(4,389,803)	-	(77,349,255)
Building and system	(32,829,945)	(3,176,212)	-	(36,006,157)
Machinery and equipment	(10,257,469)	(704,523)	133,462	(10,828,530)
Licensed vehicles	(9,448,052)	(931,938)	2,798,127	(7,581,863)
Contractual water rights	(21,217,158)	(1,097,706)	-	(22,314,864)
Total accumulated depreciation	<u>(146,712,076)</u>	<u>(10,300,182)</u>	<u>2,931,589</u>	<u>(154,080,669)</u>
Other capital assets, net	254,738,514	(6,705,918)	42,454,068	290,486,664
Totals	<u>\$ 302,311,993</u>	<u>\$ 20,097,811</u>	<u>\$ (31,929)</u>	<u>\$ 322,377,875</u>

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

General government	\$	328,625
Public safety		1,092,699
Public works		5,363,285
Culture and recreation		2,416,634
Planning and community development		257,777
Transportation system		701,472
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		422,196
Total Governmental Activities	\$	<u>10,582,688</u>
Combined utility system	\$	8,345,405
Sanitation		349,330
Drainage		716,881
Airport		888,566
Total Business-Type Activities	\$	<u>10,300,182</u>

Construction in progress and remaining commitment, as of September 30, 2019 are as follows:

Project Description	Project Authorization	Project Cost to Date	Remaining Commitment
Governmental Activities:			
Various street milling and overlay projects	\$ 15,276,114	\$ 3,729,298	\$ 11,546,816
Public Services Facility	11,124,092	7,229,433	3,894,659
45th Street/Broadway to Seawall reconstruction	9,995,013	2,871,742	7,123,271
Little League and Sandhill Soccer Complexes	8,589,574	5,142,717	3,446,857
27th Corridor master plan	6,354,333	3,170,639	3,183,694
Municipal incinerator demolition and recap	5,480,243	4,322,622	1,157,621
Rail Trolley rehabilitation and rail cars	5,226,483	4,159,165	1,067,318
29th Street/Ave O to Ave R 1/11 extension of storm sewer main	5,147,500	196,982	4,950,518
25th Street/Broadway to Seawall reconstruction	4,681,000	287,887	4,393,113
Various Island Transit projects	1,784,637	362,749	1,421,888
Various other projects	8,481,141	3,334,577	5,146,564
Total Governmental Activities	<u>\$ 82,140,130</u>	<u>\$ 34,807,811</u>	<u>\$ 47,332,319</u>
Business-type Activities:			
Combined Utility System Fund Projects			
Various waterline repairs & replacements	\$ 23,211,900	\$ 2,189,797	\$ 21,022,103
Inflow & infiltration line repairs	10,463,113	460,232	10,002,881
30" Causeway waterline	10,231,500	697,149	9,534,351
Pirates Beach and Seawolf Park wastewater treatment plant reconstruction and expansion	8,531,488	592,032	7,939,456
Lift station pump & electrical repairs	8,144,000	193,938	7,950,062
Fire hydrant replacement program	6,682,784	1,528,544	5,154,240
Airport pump station tank upgrade and new ground storage tanks	8,498,850	751,881	7,746,969
Airport wastewater treatment plant refurbishment	6,370,289	5,876,624	493,665
Various street utility improvements	4,687,707	1,830,022	2,857,685
Various other Combined Utility System projects	12,387,571	8,555,866	3,831,705
Drainage Fund Projects			
Storm drain rehabilitation	13,400,217	1,189,873	12,210,344
Storm water management	840,678	830,897	9,781
Various other Drainage projects	452,639	280,171	172,468
Airport Fund Projects			
Various Airport projects	5,336,936	4,128,577	1,208,359
Total Business-type Activities	<u>\$ 119,239,672</u>	<u>\$ 29,105,603</u>	<u>\$ 90,134,069</u>

Note 8 - Long-Term Debt

A. Governmental Activities

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Balance September 30, 2018	Increases	(Decreases)	Balance September 30, 2019	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 31,131,275	\$ -	\$ (2,355,991)	\$ 28,775,284	\$ 2,338,685
Accreted interest on capital appreciation bonds	3,134,531	232,007	(1,676,949)	1,689,589	-
Special obligation bonds	22,605,000	-	(980,000)	21,625,000	1,045,000
Certificates of obligation	2,873,672	-	(1,483,051)	1,390,621	1,390,621
Unamortized premiums and discounts	3,971,717	-	(291,088)	3,680,629	-
	<u>63,716,195</u>	<u>232,007</u>	<u>(6,787,079)</u>	<u>57,161,123</u>	<u>4,774,306</u>
Other liabilities:					
Notes payable	506,630	-	(118,969)	387,661	123,953
Claims payable - workers compensation	602,399	112,557	(208,671)	506,285	82,392
Claims payable - health insurance	908,253	5,551,941	(5,466,654)	993,540	993,540
Accrued claims and judgements	13,500,000	-	(13,500,000)	-	-
Compensated absences	10,151,643	2,570,092	(2,132,432)	10,589,303	2,276,530
Total Governmental Activities	<u>\$ 89,385,120</u>	<u>\$ 8,466,597</u>	<u>\$ (28,213,805)</u>	<u>\$ 69,637,912</u>	<u>\$ 8,250,721</u>
			Long-term debt due in more than one year		<u>\$ 61,387,191</u>

Compensated absences are liquidated by the funds based on the department personnel to whom the claims relate. 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 (see Note 14).

The City also has a Texas Tax and Revenue Emergency Anticipate Note, Series 2016-E in the amount of \$50 million for the purpose of providing funds to pay for any contractual obligation incurred or to be incurred as a result of or to address the effect of a statewide and/or national emergency. The City has not drawn down any funds from this note as of September 30, 2019.

Accreted Interest on Premium of Capital Appreciation Bonds

A portion of the Series 2004 Combination Tax and Revenue Certificates of Obligation Bonds are capital appreciation bonds. The obligation has a principal value of \$1,390,621 and a remaining maturity value of \$3,160,000. The interest on these obligations will be paid upon maturity on February 1, 2020. The accreted value of these bonds at September 30, 2019 was 1,689,589. The accretion expense recognized in the current fiscal year was \$232,007, which is reflected in the accompanying general long-term debt accounts.

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

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Series 2011 Obligation Refunding Bonds	\$ 7,520,000	2023	2.0 to 4.0	\$ 3,445,000
Series 2014 Obligation Refunding Bonds *	3,717,000	2023	2.0 to 4.0	2,432,469
Series 2016 Obligation Refunding Bonds *	2,460,831	2033	2.0 to 5.0	2,347,815
Series 2017 Public Improvement Bonds	22,600,000	2046	2.0 to 4.0	20,550,000
Total General Obligation Bonds				<u>\$ 28,775,284</u>
Special Obligation Bonds				
Series 2012A Hotel Occupancy Tax Refunding Bonds	\$ 14,350,000	2034	3.0 to 5.0	\$ 11,490,000
Series 2012B Hotel Occupancy Tax Refunding Bonds	13,215,000	2032	3.0 to 5.0	10,135,000
Total Special Obligation Bonds				<u>\$ 21,625,000</u>
Certificates of Obligation				
Series 2004 Wharves and Terminal Revenue Bonds	\$ 19,323,672	2020	4.3 to 5.2	\$ 1,390,621
Total Certificates of Obligation				<u>\$ 1,390,621</u>
Note Payable **				
2007 Note Payable	\$ 1,531,488	2022	3.5-4.0	\$ 387,661
Total Note Payable				<u>\$ 387,661</u>

* The original issue was \$5,900,000 for the Series 2014 Obligation Refunding Bonds and \$17,365,000 for the Series 2016 Obligation Refunding Bonds. The original issue amounts reported represent the portion allocated to governmental activities only.

** The Note Payable is carried by an Internal Service Fund.

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
2020	\$ 2,338,685	\$ 1,236,371	\$ 1,045,000	\$ 792,013
2021	2,250,100	1,146,143	1,110,000	756,113
2022	2,543,200	1,053,638	1,185,000	700,613
2023	2,660,400	941,028	1,270,000	641,363
2024	1,092,600	823,158	1,350,000	592,588
2025-2029	6,201,400	3,336,340	7,885,000	2,215,900
2030-2034	7,328,900	1,761,919	7,780,000	769,056
2035-2037	4,359,999	352,600	-	-
	<u>\$ 28,775,284</u>	<u>\$ 10,651,197</u>	<u>\$ 21,625,000</u>	<u>\$ 6,467,644</u>

Year Ending Sept. 30	Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 1,390,621	\$ 1,769,379	\$ 123,953	\$ 14,807
2021	-	-	129,148	9,613
2022	-	-	134,560	4,200
	<u>\$ 1,390,621</u>	<u>\$ 1,769,379</u>	<u>\$ 387,661</u>	<u>\$ 28,620</u>

Business-Type Activities

Long-term liability activity for the year ended September 30, 2019, 2019 is as follows:

	Balance September 30, 2018	Increases	(Decreases)	Balance September 30, 2019	Amounts Due Within One Year
Bonds payable:					
Contracts (Gulf Coast Water Authority)	\$ 11,820,797	\$ -	\$ (3,197,412)	\$ 8,623,385	\$ 2,924,948
Revenue bonds	20,255,000	-	(1,715,000)	18,540,000	1,780,000
General obligation bonds	13,498,725	-	(1,529,009)	11,969,716	1,486,315
Certificates of obligation	32,330,000	32,750,000	(500,000)	64,580,000	755,000
Unamortized premiums and discounts	6,690,796	2,643,998	(635,134)	8,699,660	-
	<u>84,595,318</u>	<u>35,393,998</u>	<u>(7,576,555)</u>	<u>112,412,761</u>	<u>6,946,263</u>
Other liabilities:					
Compensated absences	1,485,530	405,433	(354,821)	1,536,142	439,691
Total Business-type Activities	<u>\$ 86,080,848</u>	<u>\$ 35,799,431</u>	<u>\$ (7,931,376)</u>	<u>\$ 113,948,903</u>	<u>\$ 7,385,954</u>

Long-term debt due in more than one year \$ 106,562,949

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 2011A GCWA Contract Refunding Revenue Bonds	17,730,000	2022	3.0 to 5.0	\$ 6,664,385
Series 2012 GCWA Contract Refunding Revenue Bonds	7,645,000	2022	2.3	1,959,000
Total Contracts (Gulf Coast Water Authority)				<u>\$ 8,623,385</u>
Revenue Bonds				
Series 2012 Waterworks and Sewer System Revenue and Refunding Bonds	6,180,000	2023	2.0 to 3.0	\$ 2,875,000
Series 2014 Waterworks and Sewer System Revenue and Refunding Bonds	19,640,000	2025	3.0 to 5.0	15,665,000
Total Revenue Bonds				<u>\$ 18,540,000</u>
General Obligation Bonds				
Series 2014 Obligation Refunding Bonds *	2,183,000	2023	2.0 to 4.0	\$ 512,531
Series 2016 Obligation Refunding Bonds *	14,904,169	2033	2.0 to 5.0	11,457,185
Total General Obligation Bonds				<u>\$ 11,969,716</u>
Certificates of Obligation				
Series 2017 Combination Tax and Revenue Bonds	33,330,000	2046	2.0 to 5.0	\$ 31,830,000
Series 2019 Combination Tax and Revenue Bonds	32,750,000	2049	2.0 to 5.0	32,750,000
Total Certificates of Obligation				<u>\$ 64,580,000</u>

* The original issue was \$5,900,000 for the Series 2014 Obligation Refunding Bonds and \$17,365,000 for the Series 2016 Obligation Refunding Bonds. The original issue amounts reported above represent the portion allocated to business type activities only.

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
2020	\$ 1,780,000	\$ 869,500	\$ 2,924,948	\$ 371,944
2021	1,865,000	794,100	3,033,283	264,541
2022	1,945,000	714,950	2,665,154	135,263
2023	2,035,000	632,300	-	-
2024	1,340,000	545,750	-	-
2025-2029	7,780,000	1,653,750	-	-
2030-2033	1,795,000	89,750	-	-
	<u>\$ 18,540,000</u>	<u>\$ 5,300,100</u>	<u>\$ 8,623,385</u>	<u>\$ 771,748</u>

Year Ending Sept. 30	Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest
	2020	\$ 755,000	\$ 2,798,750	\$ 1,486,315
2021	1,265,000	2,783,650	774,900	477,307
2022	1,295,000	2,752,650	606,800	438,562
2023	1,330,000	2,714,950	639,600	408,222
2024	1,385,000	2,661,750	807,400	376,242
2025-2029	7,845,000	12,388,050	3,878,600	1,310,360
2030-2034	9,910,000	10,326,000	3,776,101	370,681
2035-2039	12,475,000	7,760,250	-	-
2040-2044	15,525,000	4,697,450	-	-
2045-2049	12,795,000	1,334,800	-	-
	<u>\$ 64,580,000</u>	<u>\$ 50,218,300</u>	<u>\$ 11,969,716</u>	<u>\$ 3,933,003</u>

The total net revenues of the Combined Utility System Fund are pledged for repayment of the Business-type Activity Revenue Bonds, General Obligation Bonds and Certificates of Obligation. The pledge will remain in force for the term of the bonds.

Description	Principal	Interest	Totals
Revenue bonds	\$ 1,780,000	\$ 869,500	\$ 2,649,500
Certificates of Obligation	755,000	2,798,750	3,553,750
General Obligation	1,486,315	551,629	2,037,944
Contracts	2,924,948	371,944	3,296,892
Total annual debt service	<u>\$ 6,946,263</u>	<u>\$ 4,591,823</u>	<u>\$ 8,241,194</u>
Operating revenues			\$ 36,998,782
Operating expenses			<u>32,778,535</u>
Net operating income			4,220,247
Add:			
Depreciation			<u>8,345,405</u>
Total net revenues			<u>\$ 12,565,652</u>
Debt service coverage			1.52

Current Year Issuance of Debt – Business-Type Activities

On February 14, 2019, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2019 in the amount of \$32,750,000 at interest rates ranging from 2.0% - 5.0%. The bonds were issued at a premium totaling \$2,643,998 generating \$35 million in construction proceeds for the acquisition, construction

and installation of certain improvements to the City combined utility system. The proceeds of the bonds were also used to pay costs incurred in connection with the issuance of the Certificates..

Defeased Debt

As a result of a prior year bond refunding, 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, 2019 is \$13,600,000.

Long-Term Contracts - Waterworks System

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 the City of League City's share being the remainder 1.85%. This will repay its outstanding Series 1998B and also 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 notes mature in 2022 and will be repaid with pledged revenues from the City's waterworks system.

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 also pay the cost of issuance of the bonds. These Bonds were used to build and improve facilities for potable water transportation to and within the City. The notes mature in 2022 and will be repaid with pledged revenues from the City's waterworks system.

The pledged revenues are 1.7 times as compared to related current principal and interest requirements.

Discretely Presented Component Unit - Bayside at Waterman's Public Improvement District

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Balance September 30, 2018	Increases	(Decreases)	Balance September 30, 2019	Amounts Due Within One Year
Bayside at Waterman's PID					
Special assessment revenue bonds	\$ 9,300,000	\$ -	\$ (150,000)	\$ 9,150,000	\$ 175,000
	<u>\$ 9,300,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 9,150,000</u>	<u>\$ 175,000</u>

The following are descriptions of the discretely presented component unit 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	\$ 9,150,000
Total Bayside at Waterman's PID Bonds				<u>\$ 9,150,000</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
	2020	\$ 175,000
2021	175,000	536,219
2022	200,000	526,375
2023	200,000	515,125
2024	225,000	503,875
2025-2029	1,250,000	2,323,906
2030-2034	1,675,000	1,908,875
2035-2039	2,250,000	1,341,875
2040-2044	3,000,000	572,688
	<u>\$ 9,150,000</u>	<u>\$ 8,775,001</u>

All of the special assessment revenue received by the District is obligated to pay for the special assessment revenue bonds noted above. The City has no financial or legal responsibility for payment of the bonds. The City's only responsibility is to pursue collections of assessments which is performed by a third-party consultant on behalf of the City.

Note 9 - Fund Equity

Net deficit reported by the Workers' Compensation Fund above reflects the inclusion \$0.5 million of total estimated workers' compensation claims payable. Net deficit reported by the Health Insurance Fund reflects the inclusion \$9.5 million of total OPEB liability. The City is reviewing options to fund the liability. See Note 13 for additional information on the total OPEB liability.

	Deficit Balance
Internal Service Funds:	
Workers' Compensation Fund	\$ (371,359)
Health and Life Insurance Fund	\$ (8,437,233)

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.

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. The City is also actively remediating several sites with grant funds from the General Land Office.

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, 2019, 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 workers' 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>
2018	\$ 585,878	\$ 279,625	\$ (263,104)	\$ 602,399
2019	602,399	112,557	(208,671)	506,285

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 Health and Life 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 Health and Life Insurance Fund charges the various operating funds premiums for the City's contribution. The City has obtained excess loss insurance that limits the City's claims paid to \$200,000 per individual from Liberty Mutual Insurance, and \$4,879,000 in aggregate claims on an annual basis from Aetna, Inc.

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>
2018	\$ 810,516	\$ 5,023,513	\$ (4,925,776)	\$ 908,253
2019	908,253	5,551,941	(5,466,654)	993,540

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 \$225,000 per year.

Galveston County Jail

Through agreement with the County of Galveston (County), the County agrees to reserve 6 beds in the County Jail for individuals arrested by City police. The City will pay the County monthly the sum of \$69.43 per City inmate per calendar day or fraction thereof. Annually this equates to a minimum of approximately \$150,000 per year. The City pays the daily rate for months in which the average nightly occupancy is greater than 6.5 inmates.

Gulf Coast Water Authority

The Gulf Coast Water Authority (GCWA) supplies one hundred percent of Galveston's potable water supply. GCWA holds rights and maintains access to water originating in the Brazos River basin raw that flows through a system of canals and reservoirs to the Thomas Mackey water purification plant in Texas City. Purified water is pumped from the plant to the island through lines that cross the old causeway and/or the bay to the island. The City then assumes responsibility for pumping, storage and customer sales. Under the most recent amendment dated May 27, 2015, the City retains the right to use up to 21 million gallons per day at a flat cost of \$0.45192 per 1000 gallons. Water actually consumed is supplied to the City at the rate of \$0.5714 per 1000 gallons pumped. GCWA also makes improvements to the plant and its distribution system with bond proceeds, and the City pays its proportional share of this debt service to GCWA (see Note 8). In FY 2019, the City paid GCWA \$11.8 million for debt service, water rights and water consumption.

Note 13 - Post-Employment Benefits Other Than Pensions

Plan Description

The City defined benefit OPEB plan provides certain post-employment retirement benefits for its qualifying employees and spouses/dependents through a single-employer defined benefit health care plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

Eligible participants, as defined by the City, may continue health care 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.

Employees covered by OPEB plan as of December 31, 2018 were as follows:

Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	808
Total plan members	829

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018 and determined by an actuarial valuation as of that date in accordance with GASB Statement No. 75. Total OPEB liability is generally liquidated by the General Fund and the Health and Life Insurance Fund.

Changes in Total OPEB Liability

Changes in the City's OPEB liability presented below are calculated for the year ended December 31, 2018 (measurement year):

Total OPEB Liability	
Service cost	\$ 825,240
Interest on the total OPEB Liability	310,894
Difference between expected and actual experience actual experience	(1,817,888)
Changes of assumption	1,325,541
Benefit payments	(316,616)
Net change in total OPEB liability	327,171
Total OPEB liability - beginning	9,138,267
Total OPEB liability - ending	\$ 9,465,438
 Covered payroll	 \$ 41,580,086
 Total OPEB liability as a percentage of covered payroll	 22.76%

Changes of assumption reflects a change in discount rate from 3.31% in 2017 to 3.71% in 2018.

OPEB Expense

For the year ended September 30, 2019, the City recognized total OPEB expense of \$1,132,925.

Service cost	\$ 825,240
Interest on the total OPEB Liability	310,894
Recognition of current year inflow due to liabilities	43,507
Amortization of prior year inflow due to liabilities	(46,716)
Total OPEB expense	\$ 1,132,925

Deferred Outflows of Resources

At September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,449	\$ 1,645,401
Changes of assumptions	1,554,708	-
Contributions subsequent to the measurement date	688,052	-
	<u>\$ 2,282,209</u>	<u>\$ 1,645,401</u>

The \$688,052 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30:</u>	
2020	\$ (3,209)
2021	(3,209)
2022	(3,209)
2023	(3,209)
2024	(3,209)
thereafter	<u>(35,199)</u>
	<u>\$ (51,244)</u>

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 \$9,465,438 at December 31, 2018. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 22.76%.

Actuarial Methods and Assumptions

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.

Discount Rate

The discount rate for plans that do not have formal assets equals the tax-exempt municipal bond rate on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. The municipal bond rate is based on the daily rate closest to, but not later than, the measurement date of the Fidelity “20-year Municipal GO AA Index”.

Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation Rate	2.50% per annum
Discount Rate	3.71% as of December 31, 2018
Actuarial Cost Method	Individual Entry-Age
Amortization Method	Average of expected remaining service life
Amortization Period	10.5393 closed period amortization
Payroll Growth	2.75% - 6.35% for General Employees 4.00% - 7.00% for Police 3.00% - 9.18% for Firefighters
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71% as well as what the plan's total OPEB 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:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$ 10,453,529	\$ 9,465,438	\$ 8,577,620

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current rates used:

	1% Decrease (6.20%) decreasing to 3.25%	Healthcare Cost Trend Rates (7.20%) decreasing to 4.25%	1% Increase (8.20%) decreasing to 5.25%
Total OPEB liability	\$ 8,280,124	\$ 9,465,438	\$ 10,892,883

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, 2018. 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 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 attainment age is sixty-five (65). 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 reaches the eligible attainment age. 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.

Early Retirement - Eligibility for an Early Pension is: (i) on or after the member's 55th birthday and before Normal Retirement Date with between ten and twenty years of vested service, or (ii) after member has reached attainment age of sixty-two (62). Reduced early pension benefits will be equal to 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years, reduced by 1/180th for each of the first 60 months and 1/360th for each of the next 60 months and shall commence either on the member's Normal Retirement Date or on the first day of any month following his Early Retirement and before his Normal Retirement Date.

Special Early Retirement - Eligibility for a Special Early Pension benefits for Group A members is either (i) completion of at least twenty years, but less than twenty five years, of vested service and attainment of age forty-five (45) or (ii) twenty five or more years of service regardless of age. Benefits will be equal to the members choice of (i) 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years, (ii) the sum of his Preserved Benefit and his Post Transition Accrued Benefit, with one sum payable prior to age sixty-five (65) and a lower sum payable after age sixty-five (65), or (iii) a level monthly Pension that is the Actuarial Equivalent of the leveling option. The leveling option would maintain the same benefit payment throughout retirement. Eligibility for Group B members is completion of 20 or more years of service and attainment of age forty-five (45), but before attainment of age fifty (50). Benefits will be equal to 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years, reduced by 1/180th for each month by which the starting date of payments commences on the first of the month immediately following the latter of the member's fiftieth (50th) birthday or the date of retirement.

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.

A member is eligible for service retirement upon completion of 20 years of service and attainment age of fifty (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 Deferred Retirement Option Plan (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, 2019 were as follows:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan
Retirees and beneficiaries currently receiving benefits	346	87	160
Terminated employees entitled to but not receiving benefits	62	1	26
Terminated employees entitled to only a refund of contributions	156	-	-
Active Employees	531	116	143
Total Participants	1,095	204	329

Contributions

Contribution rates for the City and employees for the fiscal year ended September 30, 2019 were as follows:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan
Participant contribution	6.00%	18.00%	12.00%
City contribution	9.00%	17.00%	17.00%

Pension contribution rates are determined by ordinance with respect to the Employee Plan. Collective bargaining agreements establish minimum contribution levels with respect to the Police and Firefighters Plans.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2018, 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.

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan
Total Pension Liability	\$ 68,347,423	\$ 67,102,653	\$ 57,853,479
Fiduciary Net Position	48,514,329	42,488,301	17,856,397
Net Pension Liability	\$ 19,833,094	\$ 24,614,352	\$ 39,997,082
Fiduciary net position as a percentage of total pension liability	70.98%	63.32%	30.86%

Net Pension Liability is generally liquidated by the General Fund, Pension Reform Fund and Proprietary Funds.

On May 2, 2019, the Legislature of the State of Texas passed House Bill No 2763 (“HB 2763”) relating to the police pension fund in certain municipalities. HB 2763 establishes requirements that a municipality must offset any negative financial impact to the fund, as determined by the actuary, caused solely by an action taken by the municipality, including a reduction in the number of police officers. The municipality will be required to provide additional funding to the police pension fund by making contribution increases until the negative impact is eliminated, as determined by the actuary. The bill also provides that current contribution rates (18 percent by the City and 12 percent by active plan members) will remain in place until January 1, 2025. After that time, any future deficit caused by forces beyond the City’s control, including economic downturn, will result in any increased net pension liability being treated as a separate liability and split between the City and the plan members in the form of mandatory contributions. Therefore, the City and plan members are mandated to keep the plan’s amortization period under 30 years beginning in 2020.

HB 2763 also establishes minimum contribution levels. The City must contribute to the police pension fund 18 percent of payroll based on authorized staffing levels, as approved by the City Council and Collective Bargaining Agreement. The City shall calculate the difference between the actual payroll and the payroll in which the initial contribution was based and make a contribution to the police pension fund to cover the deficiency of the initial contribution. Furthermore, the rate of contributions to the police pension fund may not be reduced, nor shall a new benefit payable be established, if the change results in an increase to the amortization period of the unfunded actuarial liability that exceeds 25 years.

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, 2018 (measurement year):

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
	2018	2018	2018
Total pension liability:			
Service cost	\$ 2,157,580	\$ 1,374,686	\$ 1,258,499
Interest	4,640,796	4,945,665	3,897,882
Effect of plan changes	735,115	-	-
Difference between expected and actual experience	(365,588)	-	(992,542)
Change in assumptions	1,531,884	-	5,113,954
Benefit payments, including refunds of employee contributions	(4,411,522)	(3,316,088)	(4,275,151)
Net change in total pension liability	4,288,265	3,004,263	5,002,642
Total pension liability - beginning	64,059,158	64,098,390	52,850,837
Total pension liability - ending (a)	<u>\$ 68,347,423</u>	<u>\$ 67,102,653</u>	<u>\$ 57,853,479</u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,367,759	\$ 2,369,263	\$ 1,713,305
Contributions - employee	1,578,505	1,413,412	1,417,069
Net investment income	(2,431,839)	(2,484,721)	(1,134,296)
Benefit payments, including refunds of employee contributions	(4,411,523)	(3,316,088)	(4,275,151)
Administrative expense	(138,864)	(145,205)	(408,688)
Net change in plan fiduciary net position	(3,035,962)	(2,163,339)	(2,687,761)
Plan fiduciary net position - beginning	51,550,291	44,651,640	20,544,158
Plan fiduciary net position - ending (b)	<u>\$ 48,514,329</u>	<u>\$ 42,488,301</u>	<u>\$ 17,856,397</u>
Net pension liability - ending (a) - (b)	<u>\$ 19,833,094</u>	<u>\$ 24,614,352</u>	<u>\$ 39,997,082</u>

Pension Expense

For the year ended September 30, 2019, the City recognized total pension expense by plan is as follows:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan	Total
Service Cost	\$ 2,157,580	\$ 1,374,686	\$ 1,258,499	\$ 4,790,765
Interest on total pension liability	4,640,796	4,945,665	3,897,882	13,484,343
Effect of plan changes	735,115	-	-	735,115
Administrative expenses	138,864	145,205	408,688	692,757
Member contributions	(1,578,505)	(1,413,412)	(1,417,069)	(4,408,986)
Expected investment return net of investment expenses	(3,715,497)	(3,472,956)	(1,482,557)	(8,671,010)
Recognition of economic/demographic gains or losses	(380,096)	(73,381)	(214,185)	(667,662)
Recognition of assumption changes or inputs	831,619	(130,493)	1,070,221	1,771,347
Differences between projected and actual earnings on plan investments	1,538,632	1,823,477	935,142	4,297,251
Pension Expense	<u>\$ 4,368,508</u>	<u>\$ 3,198,791</u>	<u>\$ 4,456,621</u>	<u>\$ 12,023,920</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, 2019 for each plan are as follows

	Employees Pension Plan		Fire Fighters Pension Plan		Police Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 404,528	\$ 1,159,080	\$ 164,007	\$ 538,650	\$ 351,795	\$ 1,190,940	\$ 920,330	\$ 2,888,670
Changes of assumptions	2,309,548	-	74,255	714,346	6,209,724	669,052	8,593,527	1,383,398
Difference between projected and actual earnings	3,904,578	-	3,897,615	-	1,911,449	-	9,713,642	-
Employers contribution subsequent to measurement date	1,855,695	-	1,084,209	-	1,636,176	-	4,576,080	-
	<u>\$ 8,474,349</u>	<u>\$ 1,159,080</u>	<u>\$ 5,220,086</u>	<u>\$ 1,252,996</u>	<u>10,109,144</u>	<u>\$ 1,859,992</u>	<u>23,803,579</u>	<u>\$ 4,272,068</u>

The \$4,576,080 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement date	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan	Total
2019	\$ 1,920,562	\$ 1,303,997	\$ 1,616,673	\$ 4,841,232
2020	981,126	484,436	1,263,601	2,729,163
2021	969,487	306,023	1,588,652	2,864,162
2022	1,506,023	987,663	1,681,706	4,175,392
2023	82,376	(203,874)	462,344	340,846
thereafter	-	4,636	-	4,636
	<u>\$ 5,459,574</u>	<u>\$ 2,882,881</u>	<u>\$ 6,612,976</u>	<u>\$ 14,955,431</u>

Actuarial Assumptions and Other Data

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Employees Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Police Pension Plan</u>
Inflation	2.75% per annum	3.00% per annum	4.00% per annum
Investment rate of return	7.25%, net of pension plan investment expenses	7.75%, net of pension plan investment expenses	7.00%, net of pension plan investment expenses
Salary increases	2.75% general annual compensation increase plus an average of 1.4% per year for pay increases due to promotions and longevity over a 25-year career.	3% general annual compensation increase plus an average of 1.73% per year for pay increases due to promotions and longevity over a 30-year career.	4.00% general annual compensation increase plus 3% grading down to 0% for longevity and promotion based on years of service.
Mortality rates	PUBG-2010 below-medium income tables for employees and for retirees, projected for mortality improvement generationally using the projections scale MP-2018.	RP-2000 Combined Healthy Mortality tables projected by scale AA to 2024.	PubS-2010 Employee and Healthy Annuitant mortality tables projected generationally with Scale MP-2018. For post-retirement spouse mortality, PUBS-2010 Healthy Annuitant (opposite gender) mortality projected generationally with Scale MP-2018. All disabled members are assumed to be male using PubS-2010 Male Disability mortality tables and their spouses are assumed to be female using PubS-2010 Female Healthy Annuitant mortality tables, both projected generationally with Scale MP-2018.

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, 2018 which is 7.25% for the Employees Pension Plan, 7.75% for the Firefighters Pension Plan and 7.00% for the Police Pension Plan. The discount rates used to measure the pension liability as of December 31, 2017 were 7.25% for the Employees Pension Plan, 7.75% for the Firefighters Pension Plan and 7.50% for the Police Pension Plan. 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 (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employees Pension Plan	\$ 27,674,493	\$ 19,833,094	\$ 13,222,171
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Fire Fighters Pension Plan	\$ 32,173,268	\$ 24,614,352	\$ 18,236,379
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Police Pension Plan	\$ 47,099,143	\$ 39,997,082	\$ 34,111,288

Note 15 - Prior Period Adjustments

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

1. Correct prior year adjustment that wrote down the receivable from a component unit.

Net position at September 30, 2018, as previously reported
 Correct prior year adjustment to receivable from component unit
 Net position at September 30, 2018, as restated

	Government-wide Statement of Activities Governmental Activities
Net position at September 30, 2018, as previously reported	\$ 154,149,033
Correct prior year adjustment to receivable from component unit	3,446,329
Net position at September 30, 2018, as restated	<u>\$ 157,595,362</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. 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.

During the fiscal year, the City settled a lawsuit styled *CDM Smith v. City of Galveston et. al.* in the 56th Judicial District Court of Galveston County Texas. The case was tried and a judgement was issued on November 1, 2018. The City had the option of paying the \$15,725,068 settlement over time or pay a reduced negotiated settlement by December 31, 2018. The City elected to pay the reduced negotiated settlement for the total payment of \$13,500,000 and the final release of judgement has been entered into by the parties. The City Council approved the settlement and the final payment, including an amendment to the FY 2019 Budget that provided funding for the settlement. The judgement was paid out of available City funds: \$6,128,000 from the General Fund, \$2,092,000 from the Settlement and Capital Reserve Special Fund, \$2,893,200 from the Casualty and Liability Insurance and \$2,386,800 from the Worker’s Compensation Insurance Internal Service Funds.

Note 17 - Subsequent Events

City of Galveston Public Improvement Bonds, Series 2019

On May 6, 2017, voters authorized the issuance of \$62 million in tax supported General Obligation Bonds. On October 31, 2019, the City issued the second installment of Public Improvement Bonds, Series 2019 in the amount of \$31,205,000. The interest rate ranges from 3.0% to 5.0%. The bonds were issued at premium totalling \$6,194,024. The \$37 million in proceeds generated by the sale utilizes the remaining bond election authorization. Proceeds from the sale of the Bonds will be used to pay the costs of issuance and for the construction, acquisition, improvement and rehabilitation of streets, bridges, storm sewers and drainage, including curbs, gutters, sidewalks and other related public infrastructure, traffic systems and the acquisition of rights of way relating to such projects.

Closure of Tax Increment Reinvestment Zones Twelve and Fourteen

On December 12, 2019, the City Council passed Ordinance No. 19-076 which closed Tax Increment Reinvestment Zones Twelve and Fourteen (“the TIRZ”) effective December 31, 2019. The City entered into an Interlocal Agreement with the County of Galveston relating to the procedures for the closing of the TIRZ as well as the distribution of tax increments held by the Galveston Island Redevelopment Authority. The City will receive approximately \$284,000 of cash from the closure of the TIRZ and will retain future ad valorem taxes for the TIRZ properties.

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Required Supplementary Information

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2019 Comprehensive Annual Financial Report



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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final	Actual	Reconciling Items		
Revenues						
Property taxes	\$ 26,350,400	\$ 26,350,400	\$ 26,483,658	\$ -	\$ 26,483,658	\$ 133,258
Sales tax	16,600,000	16,600,000	16,974,502	-	16,974,502	374,502
Mixed beverage tax	951,100	951,100	-	976,845 ¹	976,845	25,745
Franchise and other taxes	5,531,000	5,531,000	6,420,262	(941,098) ^{1,2}	5,479,164	(51,836)
Licenses and permits	1,172,100	1,172,100	1,264,319	-	1,264,319	92,219
Fines and forfeitures	1,491,700	1,491,700	1,673,576	(8,274) ¹	1,665,302	173,602
Charges for services	226,900	226,900	225,167	8,274 ¹	233,441	6,541
Investment earnings	350,000	350,000	391,743	-	391,743	41,743
Intergovernmental	188,800	188,800	713,984	(565,439) ^{1,3}	148,545	(40,255)
Other	794,400	794,400	766,524	87,714 ^{1,3}	854,238	59,838
Total Revenues	53,656,400	53,656,400	54,913,735	(441,978)	54,471,757	815,357
General government						
Legislative	604,271	592,271	555,642	-	555,642	36,629
Judicial	667,870	636,370	596,473	-	596,473	39,897
Executive	682,997	679,997	679,901	-	679,901	96
City auditor	274,852	269,352	266,217	-	266,217	3,135
Finance	1,863,446	1,649,352	1,648,852	-	1,648,852	500
Legal	928,227	889,227	839,134	-	839,134	50,093
Personnel	555,375	562,875	562,662	-	562,662	213
Taxation	270,000	270,000	247,191	-	247,191	22,809
Total general government	5,847,038	5,549,444	5,396,072	-	5,396,072	153,372
Public safety						
Police	20,668,628	20,100,371	19,993,033	43,885 ³	20,036,918	63,453
Fire	11,627,858	11,486,269	11,485,562	-	11,485,562	707
Emergency management	247,763	225,732	204,062	-	204,062	21,670
Emergency medical service	566,200	566,200	566,178	-	566,178	22
City marshal	63,249	69,249	69,122	-	69,122	127
Total public safety	33,173,698	32,447,821	32,317,957	43,885	32,361,842	85,979
Public works and traffic	3,944,232	3,523,477	3,523,546	(31,599) ³	3,491,947	31,530
Culture and recreation	2,992,696	2,929,138	2,683,976	-	2,683,976	245,162
Planning and community development	2,345,004	2,278,212	2,083,009	-	2,083,009	195,203
Transportation system	600,000	942,000	56,068	885,000 ¹	941,068	932
Capital outlay	1,035,000	976,043	853,456	62,106 ³	915,562	60,481
Governmental expenditures	883,095	1,361,943	261,415	814,256 ³	1,075,671	286,272
Facilities maintenance	1,448,170	1,450,170	1,449,958	-	1,449,958	212
City Council contingency	2,500,000	-	-	-	-	-
Total expenditures	54,768,933	51,458,248	48,625,457	1,773,648	50,399,105	1,059,143
Other Financing Sources (Uses)						
Transfers in	2,190,300	2,395,043	2,193,506	-	2,193,506	(201,537)
Transfers out	(5,504,645)	(10,224,139)	(12,022,802)	1,798,660 ¹	(10,224,142)	(3)
Sale of capital assets	50,000	50,000	229,303	-	229,303	179,303
Total Other Financing Sources (Uses)	(3,264,345)	(7,779,096)	(9,599,993)	1,798,660	(7,801,333)	(22,237)
Net change in fund balance	(4,376,878)	(5,580,944)	(3,311,715)	(416,966)	(3,728,681)	1,852,263
Fund balance - beginning	19,821,390	19,821,390	19,821,390	-	19,821,390	7,227,053
Prior period adjustments	-	-	-	416,966 ^{2,3}	416,966	416,966
Fund balance - ending	\$ 15,444,512	\$ 14,240,446	\$ 16,509,675	\$ -	\$ 16,509,675	\$ 9,496,282

1) These represent reclasses for budget presentation purposes only.

2) These include a reallocation of cable franchise revenues to a Non-Major Governmental Fund that is reflected as a prior period adjustment for budget purposes.

3) These include amounts for close out FEMA project workorders that are reflected as prior period adjustments for budget purposes.

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Five Measurement Years**

	Employees' Retirement Plan for City Employees				
	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 2,157,580	\$ 1,982,697	\$ 1,782,456	\$ 2,036,695	\$ 2,184,793
Interest	4,640,796	4,423,875	4,388,324	4,465,817	4,291,727
Effect of plan changes	735,115	-	-	-	-
Difference between expected and actual experience	(365,588)	636,348	(1,388,765)	(932,848)	-
Change in assumptions	1,531,884	33,335	1,539,868	1,385,114	-
Benefit payments, including refunds of employee contributions	(4,411,522)	(4,106,737)	(3,921,559)	(4,102,964)	(3,820,447)
Net change in total pension liability	4,288,265	2,969,518	2,400,324	2,851,814	2,656,073
Total pension liability - beginning	64,059,158	61,089,640	58,689,316	55,837,502	53,181,429
Total pension liability - ending (a)	<u>\$ 68,347,423</u>	<u>\$ 64,059,158</u>	<u>\$ 61,089,640</u>	<u>\$ 58,689,316</u>	<u>\$ 55,837,502</u>
Plan fiduciary net position:					
Contributions - employer	\$ 2,367,759	\$ 2,274,927	\$ 2,059,527	\$ 1,968,772	\$ 1,836,025
Contributions - employee	1,578,505	1,518,519	1,371,184	1,315,516	1,224,018
Net investment income	(2,431,839)	6,356,393	3,333,830	(856,751)	1,803,409
Benefit payments, including refunds of employee contributions	(4,411,523)	(4,106,737)	(3,921,559)	(4,102,964)	(3,820,447)
Administrative expense	(138,864)	(133,005)	(145,136)	(127,457)	(123,414)
Net change in plan fiduciary net position	(3,035,962)	5,910,097	2,697,846	(1,802,884)	919,591
Plan fiduciary net position - beginning	51,550,291	45,640,194	42,942,348	44,745,232	43,825,641
Plan fiduciary net position - ending (b)	<u>\$ 48,514,329</u>	<u>\$ 51,550,291</u>	<u>\$ 45,640,194</u>	<u>\$ 42,942,348</u>	<u>\$ 44,745,232</u>
Net pension liability - ending (a) - (b)	<u>\$ 19,833,094</u>	<u>\$ 12,508,867</u>	<u>\$ 15,449,446</u>	<u>\$ 15,746,968</u>	<u>\$ 11,092,270</u>
Plan fiduciary net position as a percentage of total pension liability	70.98%	80.47%	74.71%	73.17%	80.13%
Covered payroll	\$ 26,061,778	\$ 25,308,650	\$ 22,853,067	\$ 21,925,267	\$ 20,400,300
Net pension liability as a percentage of covered payroll	76.10%	49.43%	67.60%	71.82%	54.37%
Annual money-weighted rate of return, net of investment expense	-4.75%	14.00%	7.82%	-1.94%	4.16%

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.

Galveston Firefighters' Pension Fund					Employees' Retirement Plan for Police				
2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
\$ 1,374,686	\$ 1,347,728	\$ 1,323,916	\$ 1,271,356	\$ 1,216,609	\$ 1,258,499	\$ 1,073,161	\$ 1,106,580	\$ 1,054,361	\$ 1,140,739
4,945,665	4,780,763	4,960,114	4,715,969	4,523,782	3,897,882	3,932,216	3,834,917	3,646,049	3,669,170
-	-	(1,279,046)	-	-	-	-	-	-	-
-	(297,644)	(502,594)	268,323	-	(992,542)	(358,201)	519,531	157,590	(502,743)
-	-	(1,141,246)	121,483	-	5,113,954	2,398,032	223,990	590,641	(2,527,532)
(3,316,088)	(4,143,975)	(3,254,265)	(3,501,502)	(3,151,223)	(4,275,151)	(4,547,830)	(4,322,870)	(4,114,277)	(3,808,422)
3,004,263	1,686,872	106,879	2,875,629	2,589,168	5,002,642	2,497,378	1,362,148	1,334,364	(2,028,788)
64,098,390	62,411,518	62,304,639	59,429,010	56,839,842	52,850,837	50,353,459	48,991,311	47,656,947	49,685,735
<u>\$ 67,102,653</u>	<u>\$ 64,098,390</u>	<u>\$ 62,411,518</u>	<u>\$ 62,304,639</u>	<u>\$ 59,429,010</u>	<u>\$ 57,853,479</u>	<u>\$ 52,850,837</u>	<u>\$ 50,353,459</u>	<u>\$ 48,991,311</u>	<u>\$ 47,656,947</u>
\$ 2,369,263	\$ 1,091,996	\$ 1,072,865	\$ 996,543	\$ 986,610	\$ 1,713,305	\$ 1,486,488	\$ 1,255,887	\$ 1,257,637	\$ 1,240,469
1,413,412	1,247,995	1,226,133	1,138,906	1,127,549	1,417,069	1,371,862	1,255,887	1,254,637	1,240,469
(2,484,721)	6,445,125	2,187,709	(848,619)	1,486,347	(1,134,296)	2,581,753	1,493,582	(486,296)	1,101,143
(3,316,088)	(4,143,975)	(3,254,265)	(3,501,502)	(3,151,223)	(4,275,151)	(4,547,830)	(4,322,870)	(4,114,277)	(3,808,422)
(145,205)	(144,975)	(103,459)	(113,486)	(133,008)	(408,688)	(132,932)	(126,111)	(86,285)	(85,937)
(2,163,339)	4,496,166	1,128,983	(2,328,158)	316,275	(2,687,761)	759,341	(443,625)	(2,174,584)	(312,278)
44,651,640	40,155,474	39,026,491	41,354,649	41,038,374	20,544,158	19,784,817	20,228,442	22,403,026	22,715,304
<u>\$ 42,488,301</u>	<u>\$ 44,651,640</u>	<u>\$ 40,155,474</u>	<u>\$ 39,026,491</u>	<u>\$ 41,354,649</u>	<u>\$ 17,856,397</u>	<u>\$ 20,544,158</u>	<u>\$ 19,784,817</u>	<u>\$ 20,228,442</u>	<u>\$ 22,403,026</u>
<u>\$ 24,614,352</u>	<u>\$ 19,446,750</u>	<u>\$ 22,256,044</u>	<u>\$ 23,278,148</u>	<u>\$ 18,074,361</u>	<u>\$ 39,997,082</u>	<u>\$ 32,306,679</u>	<u>\$ 30,568,642</u>	<u>\$ 28,762,869</u>	<u>\$ 25,253,921</u>
63.32%	69.66%	64.34%	62.64%	69.59%	30.86%	38.87%	39.29%	41.29%	47.01%
\$ 8,273,793	\$ 7,799,969	\$ 7,663,331	\$ 7,118,164	\$ 7,044,338	\$ 11,432,183	\$ 10,465,725	\$ 10,465,725	\$ 10,455,308	\$ 10,337,242
297.50%	249.32%	290.42%	327.02%	256.58%	349.86%	308.69%	292.08%	275.10%	244.30%
-5.35%	16.45%	5.68%	-2.09%	4.16%	-5.74%	13.68%	7.75%	-2.26%	4.96%

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
Schedule of Contributions
Last Eight Fiscal Years

	Employees' Retirement Plan for City Employees							
	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$ 2,506,334	\$ 2,334,748	\$ 2,153,885	\$ 2,024,974	\$ 2,278,432	\$ 2,040,170	\$ 2,108,505	\$ 2,026,248
Contribution in relation to the actuarially required contribution	\$ 2,506,334	\$ 2,334,748	\$ 2,177,518	\$ 2,024,974	\$ 1,858,266	\$ 1,836,025	\$ 1,583,356	\$ 1,616,976
Contribution deficiency (excess)	\$ 0	\$ -	\$ (23,633)	\$ -	\$ 420,166	\$ 204,145	\$ 525,149	\$ 409,272
Covered payroll	\$ 27,848,145	\$ 25,941,635	\$ 23,932,061	\$ 22,499,711	\$ 20,647,326	\$ 20,400,300	\$ 17,592,844	\$ 17,966,400
Contributions as a percentage of covered payroll	9.0%	9.0%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%
	Galveston Firefighters' Pension Fund							
	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,467,673	\$ 1,280,134	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution in relation to the contractually required contribution	\$ 1,467,729	\$ 1,280,032	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution deficiency (excess)	\$ (56)	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,633,370	\$ 8,117,526	\$ 7,733,848	\$ 7,313,957	\$ 7,036,850	\$ 7,044,338	\$ 6,756,748	\$ 6,564,000
Contributions as a percentage of covered payroll	17.0%	15.8%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
	Employees' Retirement Plan for Police							
	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,114,333	\$ 1,624,952	\$ 1,405,962	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution in relation to the contractually required contribution	\$ 2,114,922	\$ 1,625,097	\$ 1,407,567	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution deficiency (excess)	\$ (589)	\$ (145)	\$ (1,605)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 12,853,090	\$ 11,623,408	\$ 10,815,095	\$ 10,414,292	\$ 9,896,098	\$ 10,337,242	\$ 9,281,758	\$ 9,308,825
Contributions as a percentage of covered payroll	(a) 16.45%	13.98%	12.83%	12.0%	12.0%	12.0%	12.0%	12.0%

(a) Contributions by the City increased from 14.83% to 17% in January 2019.

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**Notes to Schedule of Contributions****For the Year Ended December 31, 2018**

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
Valuation Date:	31-Dec-18	31-Dec-18	31-Dec-18
<u>Methods and assumptions used to determine contribution rates:</u>			
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, open.	Level percentage of payroll based on an assumed annual payroll growth of 3.5% per year.
Inflation	2.75% per annum	3.00% per annum	4.00% per annum
Investment rate of return	7.25%, net of pension plan investment expenses	7.75%, net of pension plan investment expenses	7.00%, net of pension plan investment expenses
Administrative expense	Assumed to be 0.60% of payroll.	Assumed to be 1.55% of payroll.	Assumed to be 0.95% of payroll.
Salary increases	2.75% general annual compensation increase plus an average of 1.4% per year for pay increases due to promotions and longevity over a 25-year career.	3% general annual compensation increase plus an average of 1.73% per year for pay increases due to promotions and longevity over a 30-year career.	4.00% general annual compensation increase plus 3% grading down to 0% for longevity and promotion based on years of service.
Mortality rates	PubG-2010 below-medium income tables for employees and for retirees, projected for mortality improvement generationally using the projections scale MP-2018.	RP-2000 Combined Healthy Mortality tables projected by scale AA to 2024.	PubS-2010 Employee and Healthy Annuitant mortality tables projected generationally with Scale MP-2018. For post-retirement spouse mortality, PUBS-2010 Healthy Annuitant (opposite gender) mortality projected generationally with Scale MP-2018. All disabled members are assumed to be male using PubS-2010 Male Disability mortality tables and their spouses are assumed to be female using PubS-2010 Female Healthy Annuitant mortality tables, both projected generationally with Scale MP-2018.

REQUIRED OPEB SUPPLEMENTARY INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Two Last Measurement Years

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 825,240	\$ 571,322
Interest on the total OPEB Liability	310,894	311,717
Difference between expected and actual experience	(1,817,888)	48,153
Changes of assumption	1,325,541	433,248
Benefit payments	(316,616)	(244,096)
Net change in total OPEB liability	327,171	1,120,344
Total OPEB liability - beginning	9,138,267	8,017,923
Total OPEB liability - ending	<u>\$ 9,465,438</u>	<u>\$ 9,138,267</u>
Covered payroll	\$ 41,580,086	\$ 39,330,779
Total OPEB liability as a percentage of covered payroll	22.76%	23.23%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Notes to Schedule:

Changes of assumption: Changes of assumption reflects the effect of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.71%
2017	3.31%
2016	3.81%

Combining and Individual Fund Statements and Schedule



2019 Comprehensive Annual Financial Report



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NON-MAJOR 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 Fund – To account for ad valorem taxes collected and transferred to the library, to be used for library purposes, as authorized by City Charter.

Parks and Recreation Improvement Fund – To account for receipt and expenditure of intergovernmental revenues designated for parks and recreation improvements.

Housing & Urban Development (HUD) Entitlement Grants Fund – To account for receipt and expenditure of annual federal CDBG Entitlement and HOME Investment Partnership allocations.

Project Specific Programs – To account for receipt and expenditures designated for governmental special projects; including Police/Fire general projects, Fire special revenue, Courts general projects, and other parks general projects.

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

Cable Television Public Education & Government Fund – To account for receipt and expenditures of public-access television tax revenue 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.

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

Seawall Parking Fund – To account for net receipts of seawall parking revenue in excess of Park Board expenditures related to the operation of the seawall and beach. Balances can only be allocated by the City Council for capital improvements to the seawall and beach.

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

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

Public Safety Programs – To account for receipt and expenditures of federal, state and/or local grant monies restricted for governmental public safety programs and capital projects.

Infrastructure & Debt Service Fund – To account for receipt and expenditures restricted for governmental infrastructure capital projects as defined by the City Charter.

Judicial Programs – To account for receipt and expenditures designated for governmental judicial capital projects, including court building security and technology, and youth after-school programs.

Convention Center Surplus Fund – To account for local hotel occupancy tax allocated to operations and capital projects that enhance and promote tourism and the convention and hotel industry.

Lasker Pool - To account for receipts and expenditures for City pool operations.

Pension Reform Fund - To account for funds set aside to be used for reforming the City's three pension plans.

Settlement and Capital Reserve Fund – To account for receipt and expenditures committed for governmental projects.

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

Revenue Producing Parks Fund – To account for receipts and expenditures of revenue generating beach parks.

Technology Replacement Fund – To account for City resources from other funds used to implement new and or upgraded computer hardware and software systems.

Hurricane Harvey Fund – To account for receipt and expenditures of grant monies restricted for Hurricane Harvey recovery efforts.

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.

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

General Obligation Bonds 2017 Capital Projects – To account for capital outlay financed by the proceeds from the General Obligation Bonds, Series 2017.

Industrial Development Corporation Beach Renourishment Fund – To account for project costs renourish beaches as financed by the IDC and directed by the voters.

Industrial Development Corporation Economic Development Fund – To account for economic development projects as financed by the IDC and directed by the voters.

Industrial Development Corporation Parks Improvement Fund – To account for improvements to City parks financed by the IDC and directed by the voters.

Industrial Development Corporation Infrastructure Fund – To account for streets, drainage and sewer system improvement projects financed by the IDC and directed by the voters.

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 property tax-supported general obligation long-term debt of the City. Water and sewer supported general obligation refunding bond debt service payment are paid by the respective enterprise fund. City bonds issued on behalf of the Wharves Authority are paid here and reimbursed by the Authority..

Hotel Occupancy Tax Debt Service Fund – To account for the accumulation of hotel occupancy taxes to fund reserves and debt service payments for bonds issued to build the convention center and adjoining parking garage.

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BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2019

	Island Transit	Rosenberg Library Fund	Parks and Recreation Improvement Fund	Housing & Urban Development Entitlement Grants Fund
Assets				
Cash and cash equivalents	\$ 200	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	20,576	102,324	-	8,034
Due from other governments	368,991	-	-	441,216
Due from other funds	-	-	-	-
Inventories	331,719	-	-	-
Prepaid Items	-	-	-	-
Restricted cash and investments	-	12,478	-	744,142
Total Assets	<u>\$ 721,486</u>	<u>\$ 114,802</u>	<u>\$ -</u>	<u>\$ 1,193,392</u>
Liabilities				
Accounts payable	\$ 93,200	\$ 12,478	\$ -	\$ 3,691
Accrued expenditures	-	-	-	-
Due to other funds	278,661	-	-	439,218
Due to other governments	-	-	-	6,765
Due to component units	-	-	-	-
Unearned revenue	-	-	-	743,718
Total Liabilities	<u>371,861</u>	<u>12,478</u>	<u>-</u>	<u>1,193,392</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	102,324	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>102,324</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	331,719	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	-	-
Grants	17,906	-	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>349,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 721,486</u>	<u>\$ 114,802</u>	<u>\$ -</u>	<u>\$ 1,193,392</u>

Project Specific Programs	Convention Center Operations Fund	Cable Public Television Education & Government Fund	CDBG Disaster Fund Housing	Parking Management Fund	Seawall Parking Fund	Arts and Historical Fund
\$ 4,144	\$ -	\$ -	\$ -	\$ 586,683	\$ -	\$ 1,226,370
947	-	41,825	-	-	-	-
2,737,023	-	-	1,526,606	-	66,162	-
-	-	-	-	-	-	26,069
-	-	-	-	-	-	-
459,604	2,683,644	1,017,453	-	-	1,462,717	-
<u>\$ 3,201,718</u>	<u>\$ 2,683,644</u>	<u>\$ 1,059,278</u>	<u>\$ 1,526,606</u>	<u>\$ 586,683</u>	<u>\$ 1,528,879</u>	<u>\$ 1,252,439</u>
\$ 89,402	\$ 1,999,270	\$ -	\$ -	\$ 18,604	\$ 12,001	\$ -
-	-	-	-	935	-	-
26,069	-	-	1,526,606	-	-	-
-	-	-	-	-	-	-
2,572,452	-	-	-	-	-	-
4,144	-	-	-	-	-	-
<u>2,692,067</u>	<u>1,999,270</u>	<u>-</u>	<u>1,526,606</u>	<u>19,539</u>	<u>12,001</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,516,878	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	684,374	-	-	-	-	-
-	-	1,059,278	-	567,144	-	-
509,651	-	-	-	-	-	-
-	-	-	-	-	-	1,252,439
-	-	-	-	-	-	-
<u>509,651</u>	<u>684,374</u>	<u>1,059,278</u>	<u>-</u>	<u>567,144</u>	<u>1,516,878</u>	<u>1,252,439</u>
<u>\$ 3,201,718</u>	<u>\$ 2,683,644</u>	<u>\$ 1,059,278</u>	<u>\$ 1,526,606</u>	<u>\$ 586,683</u>	<u>\$ 1,528,879</u>	<u>\$ 1,252,439</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2019

	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus Fund	Infrastructure and Debt Service Fund
Assets				
Cash and cash equivalents	\$ 503,043	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	-	82,495	29,391	-
Due from other funds	-	-	-	46,749
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	-	636,463	2,466,351	4,124,431
Total Assets	<u>\$ 503,043</u>	<u>\$ 718,958</u>	<u>\$ 2,495,742</u>	<u>\$ 4,171,180</u>
Liabilities				
Accounts payable	\$ 20,617	\$ 16,036	\$ 416	\$ 2,537
Accrued expenditures	102	-	-	-
Due to other funds	-	81,477	-	-
Due to other governments	-	-	-	-
Due to component unit	-	-	-	-
Unearned revenue	-	99,277	-	-
Total Liabilities	<u>20,719</u>	<u>196,790</u>	<u>416</u>	<u>2,537</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	4,168,643
Capital projects	-	-	-	-
Grants	-	522,168	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	2,495,326	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	482,324	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>482,324</u>	<u>522,168</u>	<u>2,495,326</u>	<u>4,168,643</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 503,043</u>	<u>\$ 718,958</u>	<u>\$ 2,495,742</u>	<u>\$ 4,171,180</u>

Judicial Programs	Lasker Pool	Pension Reform Fund	Settlement and Capital Reserve Fund	Separation Pay Fund	Revenue Producing Parks	Technology Replacement Fund
\$ 300,025	\$ 150	\$ 1,056,688	\$ 1,096,785	\$ 375,227	\$ 208,029	\$ 1,244,854
-	-	-	-	-	29,011	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,045	-	-	-	-	-	-
-	324,295	-	-	-	-	-
<u>\$ 310,070</u>	<u>\$ 324,445</u>	<u>\$ 1,056,688</u>	<u>\$ 1,096,785</u>	<u>\$ 375,227</u>	<u>\$ 237,040</u>	<u>\$ 1,244,854</u>
\$ -	\$ 2,667	\$ -	\$ 45,579	\$ -	\$ 1,064	\$ -
-	-	-	9,816	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	5,666	-
-	2,667	-	55,395	-	6,730	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,045	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,041,390	-	-	-
300,025	321,778	1,056,688	-	375,227	230,310	1,244,854
-	-	-	-	-	-	-
<u>310,070</u>	<u>321,778</u>	<u>1,056,688</u>	<u>1,041,390</u>	<u>375,227</u>	<u>230,310</u>	<u>1,244,854</u>
<u>\$ 310,070</u>	<u>\$ 324,445</u>	<u>\$ 1,056,688</u>	<u>\$ 1,096,785</u>	<u>\$ 375,227</u>	<u>\$ 237,040</u>	<u>\$ 1,244,854</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2019

	Hurricane Harvey Fund	Island Transit Capital Projects	General Obligation Bond 2017 Capital Projects	Industrial Development Corporation Beach Renourishment Fund
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	102,207	-	-	257,980
Due from other funds	-	-	-	565
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	48,648	4,229,783	18,927,818	3,761,779
Total Assets	<u>\$ 150,855</u>	<u>\$ 4,229,783</u>	<u>\$ 18,927,818</u>	<u>\$ 4,020,324</u>
Liabilities				
Accounts payable	\$ -	\$ 18,982	\$ 159,104	\$ 225
Accrued expenditures	-	-	61,957	-
Due to other funds	26,688	-	-	-
Due to other governments	-	-	-	-
Due to component unit	-	-	-	-
Unearned revenue	25,529	29,140	-	-
Total Liabilities	<u>52,217</u>	<u>48,122</u>	<u>221,061</u>	<u>225</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	4,181,661	18,706,757	4,020,099
Grants	-	-	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	98,638	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>98,638</u>	<u>4,181,661</u>	<u>18,706,757</u>	<u>4,020,099</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 150,855</u>	<u>\$ 4,229,783</u>	<u>\$ 18,927,818</u>	<u>\$ 4,020,324</u>

Industrial Development Corporation Economic Development Fund	Industrial Development Corporation Parks Improvement Fund	Industrial Development Corporation Infrastructure Fund	Debt Service Fund	Hotel Occupancy Tax Debt Service Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,602,198
-	-	-	110,154	-	312,871
257,980	257,980	257,980	-	-	6,386,011
565	565	565	-	-	75,078
-	-	-	-	-	331,719
-	-	-	-	-	10,045
2,704,821	1,360,082	4,057,226	3,810,987	2,761,502	55,594,224
<u>\$ 2,963,366</u>	<u>\$ 1,618,627</u>	<u>\$ 4,315,771</u>	<u>\$ 3,921,141</u>	<u>\$ 2,761,502</u>	<u>\$ 69,312,146</u>
\$ 126,799	\$ 9,980	\$ 31,435	\$ -	\$ -	\$ 2,664,087
136,350	138,575	3,309	-	-	351,044
-	-	-	-	-	2,378,719
-	-	-	-	-	6,765
-	-	-	-	-	2,572,452
-	-	-	2,106,668	-	3,014,142
<u>263,149</u>	<u>148,555</u>	<u>34,744</u>	<u>2,106,668</u>	<u>-</u>	<u>10,987,209</u>
-	-	-	110,154	-	212,478
-	-	-	110,154	-	212,478
-	-	-	-	-	331,719
-	-	-	-	-	10,045
-	-	-	1,704,319	2,761,502	4,465,821
-	-	-	-	-	1,516,878
-	-	-	-	-	4,168,643
2,700,217	1,470,072	4,281,027	-	-	35,359,833
-	-	-	-	-	540,074
-	-	-	-	-	3,179,700
-	-	-	-	-	1,626,422
-	-	-	-	-	1,551,041
-	-	-	-	-	5,362,283
-	-	-	-	-	-
<u>2,700,217</u>	<u>1,470,072</u>	<u>4,281,027</u>	<u>1,704,319</u>	<u>2,761,502</u>	<u>58,112,459</u>
<u>\$ 2,963,366</u>	<u>\$ 1,618,627</u>	<u>\$ 4,315,771</u>	<u>\$ 3,921,141</u>	<u>\$ 2,761,502</u>	<u>\$ 69,312,146</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2019

	Island Transit	Rosenberg Library Fund	Parks and Recreation Improvement Fund	Housing & Urban Development Entitlement Grants Fund
Revenues				
Property taxes	\$ -	\$ 2,886,978	\$ -	\$ -
Sales and use taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	365,352	-	-	-
Investment earnings	-	-	-	-
Intergovernmental	2,064,058	-	-	739,666
Other	80,662	-	-	-
Total revenues	<u>2,510,072</u>	<u>2,886,978</u>	<u>-</u>	<u>739,666</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and roads	-	-	-	-
Culture and recreation	-	2,886,978	24,769	-
Planning and community development	-	-	-	647,004
Transportation	3,867,862	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	92,662
Total expenditures	<u>3,867,862</u>	<u>2,886,978</u>	<u>24,769</u>	<u>739,666</u>
Excess (deficiency) of revenues over (under) expenditures	(1,357,790)	-	(24,769)	-
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	1,390,684	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>1,390,684</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	32,894	-	(24,769)	-
Fund balance - beginning	<u>316,731</u>	<u>-</u>	<u>24,769</u>	<u>-</u>
Fund balance - ending	<u>\$ 349,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Project Specific Programs	Convention Center Operations Fund	Cable Television Public Education & Government Fund	CDBG Disaster Fund Housing	Parking Management Fund	Seawall Parking Fund	Arts and Historical Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,288,371	-	-	-	-	252,695
9,136	-	-	-	-	-	-
54,925	-	206,739	-	864,814	146,797	-
9,981	29,967	19,044	-	13,777	30,011	-
81,504	-	-	-	-	-	-
84,913	-	-	-	-	9,201	-
<u>240,459</u>	<u>8,318,338</u>	<u>225,783</u>	<u>-</u>	<u>878,591</u>	<u>186,009</u>	<u>252,695</u>
-	-	-	-	-	-	-
16,381	-	-	-	-	27,646	-
-	-	-	-	-	-	-
65,196	8,405,907	836	-	618,001	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
18,555	480,953	-	-	332,700	-	-
<u>100,132</u>	<u>8,886,860</u>	<u>836</u>	<u>-</u>	<u>950,701</u>	<u>27,646</u>	<u>-</u>
140,327	(568,522)	224,947	-	(72,110)	158,363	252,695
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(74,665)	-	-	-	-	-	-
(74,665)	-	-	-	-	-	-
65,662	(568,522)	224,947	-	(72,110)	158,363	252,695
443,989	1,252,896	834,331	-	639,254	1,358,515	999,744
<u>\$ 509,651</u>	<u>\$ 684,374</u>	<u>\$ 1,059,278</u>	<u>\$ -</u>	<u>\$ 567,144</u>	<u>\$ 1,516,878</u>	<u>\$ 1,252,439</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2019

	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus Fund	Infrastructure and Debt Service Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	2,523,022	-
Fines and forfeitures	-	-	-	-
Charges for services	-	81,465	-	-
Investment earnings	12,550	9,944	-	84,833
Intergovernmental	-	476,912	-	-
Other	-	204,982	-	-
Total revenues	<u>12,550</u>	<u>773,303</u>	<u>2,523,022</u>	<u>84,833</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	715,784	-	-
Highways and roads	-	-	-	1,146,561
Culture and recreation	-	-	1,198,058	-
Planning and community development	47,655	-	-	-
Transportation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	<u>150,513</u>	<u>28,200</u>	<u>11,958</u>	<u>1,537,160</u>
Total expenditures	<u>198,168</u>	<u>743,984</u>	<u>1,210,016</u>	<u>2,683,721</u>
Excess (deficiency) of revenues over (under) expenditures	(185,618)	29,319	1,313,006	(2,598,888)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	-	81,500	60,304	3,912,769
Transfers (out)	-	-	(755,684)	(650,000)
Total other financing sources (uses)	<u>-</u>	<u>81,500</u>	<u>(695,380)</u>	<u>3,262,769</u>
Net change in fund balance	(185,618)	110,819	617,626	663,881
Fund balance - beginning	<u>667,942</u>	<u>411,349</u>	<u>1,877,700</u>	<u>3,504,762</u>
Fund balance - ending	<u>\$ 482,324</u>	<u>\$ 522,168</u>	<u>\$ 2,495,326</u>	<u>\$ 4,168,643</u>

Judicial Programs	Lasker Pool	Pension Reform Fund	Settlement and Capital Reserve Fund	Separation Pay Fund	Revenue Producing Parks	Technology Replacement Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
88,657	-	-	-	-	-	-
-	98,656	-	-	-	208,208	-
6,275	8,988	22,276	-	-	2,917	20,079
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>94,932</u>	<u>107,644</u>	<u>22,276</u>	<u>-</u>	<u>-</u>	<u>211,125</u>	<u>20,079</u>
72,645	-	19,204	204,650	923,261	-	-
-	-	-	-	-	-	-
-	507,168	-	-	-	59,056	-
-	-	-	8,220,000	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	10,588	-	378,353	-	33,787	351,793
<u>72,645</u>	<u>517,756</u>	<u>19,204</u>	<u>8,803,003</u>	<u>923,261</u>	<u>92,843</u>	<u>351,793</u>
22,287	(410,112)	3,072	(8,803,003)	(923,261)	118,282	(331,714)
-	-	-	-	-	-	-
-	400,000	-	6,128,000	981,730	-	450,000
-	-	-	-	-	(4,705)	-
-	400,000	-	6,128,000	981,730	(4,705)	450,000
22,287	(10,112)	3,072	(2,675,003)	58,469	113,577	118,286
<u>287,783</u>	<u>331,890</u>	<u>1,053,616</u>	<u>3,716,393</u>	<u>316,758</u>	<u>116,733</u>	<u>1,126,568</u>
<u>\$ 310,070</u>	<u>\$ 321,778</u>	<u>\$ 1,056,688</u>	<u>\$ 1,041,390</u>	<u>\$ 375,227</u>	<u>\$ 230,310</u>	<u>\$ 1,244,854</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2019

	Hurricane Harvey Fund	Island Transit Capital Projects	General Obligation Bond 2017 Capital Projects	Industrial Development Corporation Beach Renourishment Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	1,414,542
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	90,871	445,482	82,778
Intergovernmental	68,773	67,668	-	-
Other	-	-	-	-
Total revenues	<u>68,773</u>	<u>158,539</u>	<u>445,482</u>	<u>1,497,320</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and roads	-	-	4,123,953	-
Culture and recreation	-	-	-	138,160
Planning and community development	250,497	-	(3,817,664)	-
Transportation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	168,812	151,295	3,817,664	2,150,000
Total expenditures	<u>419,309</u>	<u>151,295</u>	<u>4,123,953</u>	<u>2,288,160</u>
Excess (deficiency) of revenues over (under) expenditures	(350,536)	7,244	(3,678,471)	(790,840)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	24,396	200,000	-	-
Transfers (out)	-	(60,305)	-	-
Total other financing sources (uses)	<u>24,396</u>	<u>139,695</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(326,140)	146,939	(3,678,471)	(790,840)
Fund balance - beginning	<u>424,778</u>	<u>4,034,722</u>	<u>22,385,228</u>	<u>4,810,939</u>
Fund balance - ending	<u>\$ 98,638</u>	<u>\$ 4,181,661</u>	<u>\$ 18,706,757</u>	<u>\$ 4,020,099</u>

Industrial Development Corporation Economic Development Fund	Industrial Development Corporation Parks Improvement Fund	Industrial Development Corporation Infrastructure Fund	Debt Service Fund	Hotel Occupancy Tax Debt Service Fund	Totals
\$ -	\$ -	\$ -	\$ 3,038,642	\$ -	\$ 5,925,620
1,414,542	1,414,542	1,414,542	-	1,759,628	18,481,884
-	-	-	-	-	97,793
-	-	-	-	-	2,026,956
65,162	33,991	79,684	84,856	62,436	1,215,902
-	-	-	3,160,000	-	6,658,581
-	-	-	-	-	379,758
<u>1,479,704</u>	<u>1,448,533</u>	<u>1,494,226</u>	<u>6,283,498</u>	<u>1,822,064</u>	<u>34,786,494</u>
-	-	-	-	-	1,219,760
-	-	-	-	-	759,811
-	-	-	-	-	5,270,514
-	532,951	-	-	-	14,437,080
434,556	-	402,067	-	-	6,184,115
-	-	-	-	-	3,867,862
-	-	-	3,839,042	980,000	4,819,042
-	-	-	3,007,470	831,213	3,838,683
<u>2,734,535</u>	<u>1,949,749</u>	<u>211,266</u>	<u>-</u>	<u>-</u>	<u>14,610,543</u>
<u>3,169,091</u>	<u>2,482,700</u>	<u>613,333</u>	<u>6,846,512</u>	<u>1,811,213</u>	<u>55,007,410</u>
(1,689,387)	(1,034,167)	880,893	(563,014)	10,851	(20,220,916)
-	-	-	-	-	-
-	-	-	650,000	-	14,279,383
-	(400,000)	-	-	-	(1,945,359)
<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>650,000</u>	<u>-</u>	<u>12,334,024</u>
(1,689,387)	(1,434,167)	880,893	86,986	10,851	(7,886,892)
<u>4,389,604</u>	<u>2,904,239</u>	<u>3,400,134</u>	<u>1,617,333</u>	<u>2,750,651</u>	<u>65,999,351</u>
<u>\$ 2,700,217</u>	<u>\$ 1,470,072</u>	<u>\$ 4,281,027</u>	<u>\$ 1,704,319</u>	<u>\$ 2,761,502</u>	<u>\$ 58,112,459</u>

**SPECIAL REVENUE FUND - ISLAND TRANSIT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	Actual Amounts				
	Budgeted Amounts Final	Actual	Reconciling Items	Actual - Budgetary Basis	Variance with Final Budget
Revenues					
Charges for services	\$ 286,000	\$ 365,352	\$ 43,975 ¹	\$ 409,327	\$ 123,327
Intergovernmental	3,043,429	2,064,058	921,687 ¹	2,985,745	(57,684)
Other	-	80,662	(80,662) ¹	-	-
Total revenues	<u>3,329,429</u>	<u>2,510,072</u>	<u>885,000</u>	<u>3,395,072</u>	<u>65,643</u>
Expenditures					
Current:					
Transportation	4,423,785	3,867,862	-	3,867,862	555,923
Total expenditures	<u>4,423,785</u>	<u>3,867,862</u>	<u>-</u>	<u>3,867,862</u>	<u>555,923</u>
Revenues over (under) expenditures	(1,094,356)	(1,357,790)	885,000	(472,790)	621,566
Other Financing Sources (Uses)					
Transfers in	1,095,033	1,390,684	(885,000) ¹	505,684	(589,349)
Total other financing sources (uses)	<u>1,095,033</u>	<u>1,390,684</u>	<u>(885,000)</u>	<u>505,684</u>	<u>(589,349)</u>
Changes in fund balance	677	32,894	-	32,894	32,217
Fund balance - beginning	<u>316,731</u>	<u>316,731</u>	<u>-</u>	<u>316,731</u>	<u>-</u>
Fund balance - ending	<u>\$ 317,408</u>	<u>\$ 349,625</u>	<u>\$ -</u>	<u>\$ 349,625</u>	<u>\$ 32,217</u>

1) Reconciling items represent reclassification in accordance with the budget presentation.

**SPECIAL REVENUE FUND - ROSENBERG LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2019

	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 2,874,500	\$ 2,886,978	\$ 12,478
Total revenues	<u>2,874,500</u>	<u>2,886,978</u>	<u>12,478</u>
Expenditures			
Current:			
Culture and recreation	<u>2,874,500</u>	<u>2,886,978</u>	<u>(12,478)</u>
Total expenditures	<u>2,874,500</u>	<u>2,886,978</u>	<u>(12,478)</u>
Changes in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2019

	<u>Budgeted</u> <u>Amounts Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Property taxes	\$ 3,021,700	\$ 3,038,642	\$ 16,942
Investment earnings	35,000	84,856	49,856
Wharves Authority	<u>3,160,750</u>	<u>3,160,000</u>	<u>(750)</u>
Total revenues	6,217,450	6,283,498	66,048
Expenditures			
Debt Service:			
Principal	4,711,042	3,839,042	872,000
Interest and other charges	<u>3,637,970</u>	<u>3,007,470</u>	<u>630,500</u>
Total expenditures	<u>8,349,012</u>	<u>6,846,512</u>	<u>1,502,500</u>
Revenues over (under) expenditures	(2,131,562)	(563,014)	1,568,548
Other Financing Sources (Uses)			
Transfers in	<u>2,130,362</u>	650,000	(1,480,362)
Total other financing sources (uses)	<u>2,130,362</u>	650,000	(1,480,362)
Changes in fund balance	(1,200)	86,986	88,186
Fund balance - beginning	<u>1,617,333</u>	<u>1,617,333</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,616,133</u>	<u>\$ 1,704,319</u>	<u>\$ 88,186</u>

CITY OF GALVESTON, TEXAS**OTHER 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.

**COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS**

September 30, 2019

	Sanitation	Drainage	Airport	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,505,580	\$ 1,128,299	\$ 801,527	\$ 3,435,406
Accounts Receivable, net of allowance for doubtful accounts	1,511,884	493,565	161,652	2,167,101
Due from other funds	407,090	-	-	407,090
Due from other governments	-	-	8,453	8,453
Prepaid items	3,802	2,534	-	6,336
Restricted cash and investments	-	235,779	1,460,576	1,696,355
Total current assets	<u>3,428,356</u>	<u>1,860,177</u>	<u>2,432,208</u>	<u>7,720,741</u>
Non-current assets:				
Capital assets not being depreciated:				
Land and improvements	-	194,844	1,230,764	1,425,608
Construction in progress	-	2,300,941	4,128,577	6,429,518
Capital assets (net of depreciation):				
Infrastructure	35,412	6,099,141	15,755,458	21,890,011
Buildings and improvements	380,422	-	2,771,743	3,152,165
Equipment and furniture	308,377	1,604,905	39,087	1,952,369
Licensed vehicles	2,550,787	1,047,323	-	3,598,110
Total non-current assets	<u>3,274,998</u>	<u>11,247,154</u>	<u>23,925,629</u>	<u>38,447,781</u>
Total Assets	<u>6,703,354</u>	<u>13,107,331</u>	<u>26,357,837</u>	<u>46,168,522</u>
Deferred Outflows of Resources				
Deferred outflows relating to pension activities	932,179	508,461	84,744	1,525,384
Total Deferred Outflows of Resources	<u>932,179</u>	<u>508,461</u>	<u>84,744</u>	<u>1,525,384</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	80,680	140,929	10,684	232,293
Due to other funds	9,395	-	83,518	92,913
Due to other governments	300,277	-	-	300,277
Unearned revenue	20,507	-	-	20,507
Long-term liabilities, due within one year	129,646	52,125	9,912	191,683
Total current Liabilities	<u>540,505</u>	<u>193,054</u>	<u>104,114</u>	<u>837,673</u>
Non-current liabilities:				
Long-term liabilities, due in more than one year	384,560	86,428	19,145	490,133
Net pension liability	2,181,640	1,189,986	198,332	3,569,958
Total non-current Liabilities	<u>2,566,200</u>	<u>1,276,414</u>	<u>217,477</u>	<u>4,060,091</u>
Total Liabilities	<u>3,106,705</u>	<u>1,469,468</u>	<u>321,591</u>	<u>4,897,764</u>
Deferred Inflows of Resources				
Deferred inflows relating to pension activities	127,499	69,545	11,591	208,635
Total Deferred Inflows of Resources	<u>127,499</u>	<u>69,545</u>	<u>11,591</u>	<u>208,635</u>
Net Position				
Net investment in capital assets	3,274,998	11,247,154	23,925,629	38,447,781
Unrestricted	1,126,331	829,625	2,183,770	4,139,726
Total Net Position	<u>\$ 4,401,329</u>	<u>\$ 12,076,779</u>	<u>\$ 26,109,399</u>	<u>\$ 42,587,507</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
OTHER ENTERPRISE FUNDS**

For the Year Ended September 30, 2019

	<u>Sanitation</u>	<u>Drainage</u>	<u>Airport</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 6,216,505	\$ 2,788,825	\$ 1,055,613	\$ 10,060,943
Total operating revenues	<u>6,216,505</u>	<u>2,788,825</u>	<u>1,055,613</u>	<u>10,060,943</u>
Operating Expenses				
Personnel services	3,186,306	1,810,356	374,253	5,370,915
Contractual services	1,448,327	358,592	218,918	2,025,837
Supplies and materials	148,600	37,577	71,651	257,828
Other expenses	209,458	140,606	215,081	565,145
Depreciation	349,330	716,881	888,566	1,954,777
Total operating expenses	<u>5,342,021</u>	<u>3,064,012</u>	<u>1,768,469</u>	<u>10,174,502</u>
Operating income (loss)	<u>874,484</u>	<u>(275,187)</u>	<u>(712,856)</u>	<u>(113,559)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	26,206	37,656	44,942	108,804
Intergovernmental grants	-	-	50,000	50,000
Gain on disposal of capital assets	23,311	-	744	24,055
Total non-operating revenue (expenses)	<u>49,517</u>	<u>37,656</u>	<u>95,686</u>	<u>182,859</u>
Income (loss) before contributions and transfers	924,001	(237,531)	(617,170)	69,300
Capital contributions	-	378,583	3,800,418	4,179,001
Transfers (out)	(474,500)	(70,000)	(175,832)	(720,332)
Change in net position	<u>449,501</u>	<u>71,052</u>	<u>3,007,416</u>	<u>3,527,969</u>
Net position - beginning	<u>3,951,828</u>	<u>12,005,727</u>	<u>23,101,983</u>	<u>39,059,538</u>
Net position - ending	<u>\$ 4,401,329</u>	<u>\$ 12,076,779</u>	<u>\$ 26,109,399</u>	<u>\$ 42,587,507</u>

**COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS**
For the Year Ended September 30, 2019

	Sanitation	Drainage	Airport	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 5,281,042	\$ 2,793,456	\$ 991,287	\$ 9,065,785
Receipts for interfund services	-	-	62,000	62,000
Disbursed for employee services	(2,513,880)	(1,632,140)	(425,000)	(4,571,020)
Disbursed for goods and services	(1,322,935)	(517,238)	(434,877)	(2,275,050)
Net cash provided (used) by operating activities	<u>1,444,227</u>	<u>644,078</u>	<u>193,410</u>	<u>2,281,715</u>
Cash Flows from Non-Capital Financial Activities:				
Transfers to other funds	(474,500)	(70,000)	(175,832)	(720,332)
Net cash provided (used) by noncapital financing activities	<u>(474,500)</u>	<u>(70,000)</u>	<u>(175,832)</u>	<u>(720,332)</u>
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental grants	-	-	50,000	50,000
Capital contributions	-	-	604,735	604,735
Acquisition and construction of capital assets	(572,838)	(1,445,182)	(325,775)	(2,343,795)
Net cash used by capital and related financing activities	<u>(549,527)</u>	<u>(1,445,182)</u>	<u>329,704</u>	<u>(1,665,005)</u>
Cash Flows from Investing Activities				
Interest received	26,206	37,656	44,942	108,804
Net cash provided (used) by investing activities	<u>26,206</u>	<u>37,656</u>	<u>44,942</u>	<u>108,804</u>
Net increase (decrease) in cash and equivalents	446,406	(833,448)	392,224	5,182
Cash and equivalents, beginning of year	1,059,174	2,197,526	1,869,879	5,126,579
Cash and equivalents, at end of year	<u>\$ 1,505,580</u>	<u>\$ 1,364,078</u>	<u>\$ 2,262,103</u>	<u>\$ 5,131,761</u>
Unrestricted cash and equivalents	\$ 1,505,580	\$ 1,128,299	\$ 801,527	3,435,406
Restricted cash and equivalents	-	235,779	1,460,576	1,696,355
	<u>\$ 1,505,580</u>	<u>\$ 1,364,078</u>	<u>\$ 2,262,103</u>	<u>\$ 5,131,761</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 874,484	\$ (275,187)	\$ (712,856)	(113,559)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	349,330	716,881	888,566	1,954,777
(Increase) decrease in accounts receivable	(15,296)	4,631	(2,326)	(12,991)
(Increase) decrease in prepaid items	3,802	2,534	-	6,336
(Increase) decrease in interfund receivables and payables	(289,234)	(3)	70,009	(219,228)
(Increase) decrease in deferred outflows/inflows relating to pension activities	(608,317)	(343,657)	(45,440)	(997,414)
Increase (decrease) in accounts payable and accrued expenses	227,441	17,005	764	245,210
Increase (decrease) in compensated absences payable	46,982	(25,072)	(16,565)	5,345
Increase (decrease) in deferred revenue	(1,081)	-	-	(1,081)
Increase (decrease) in net pension liability	856,116	546,946	11,258	1,414,320
Net cash provided by operating activities	<u>\$ 1,444,227</u>	<u>\$ 644,078</u>	<u>\$ 193,410</u>	<u>\$ 2,281,715</u>
Non-cash Transactions:				
Capital contributions	\$ -	\$ 378,583	\$ 3,187,230	\$ 3,565,813

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
COMBINED UTILITY SYSTEM - OPERATING**

For the Year Ended September 30, 2019

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 36,884,500	\$ 36,998,782	\$ (25,313) ⁵¹	\$ 36,973,469	\$ 88,969
Total operating revenues	<u>36,884,500</u>	<u>36,998,782</u>	<u>(25,313)</u>	<u>36,973,469</u>	<u>88,969</u>
Operating Expenses					
Personnel services	7,921,449	8,507,441	(808,616) ^{1,2}	7,698,825	222,624
Contractual services	3,240,792	3,837,021	2,504,357 ^{1,3,4}	6,341,378	(3,100,586)
Supplies and materials	2,790,744	2,332,877	-	2,332,877	457,867
Surface water contract	11,376,200	7,860,860	3,197,412 ⁵	11,058,272	317,928
Other expenses	2,374,328	1,894,931	412,000 ⁶	2,306,931	67,397
Administration charge	1,178,300	-	1,178,300 ⁷	1,178,300	-
Depreciation	-	8,345,405	(8,345,405) ⁸	-	-
Capital outlay	4,037,700	-	1,745,235 ⁹	1,745,235	2,292,465
Total operating expenses	<u>32,919,513</u>	<u>32,778,535</u>	<u>(116,717)</u>	<u>32,661,818</u>	<u>257,695</u>
Operating income (loss)	<u>3,964,987</u>	<u>4,220,247</u>	<u>91,404</u>	<u>4,311,651</u>	<u>346,664</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	54,000	1,634,398	-	1,634,398	1,580,398
Principal expenditure	(3,744,009)	-	(3,744,009) ⁵	(3,744,009)	-
Gain on disposal of capital assets	-	83,581	-	83,581	83,581
Interest expense	(2,923,279)	(3,599,379)	552,126 ¹⁰	(3,047,253)	(123,974)
Total non-operating revenue (expenses)	<u>(6,613,288)</u>	<u>(1,881,400)</u>	<u>(3,191,883)</u>	<u>(5,073,283)</u>	<u>1,540,005</u>
Income (loss) before contributions and transfers	<u>(2,648,301)</u>	<u>2,338,847</u>	<u>(3,100,479)</u>	<u>(761,632)</u>	<u>1,886,669</u>
Capital contributions	-	15,089,349	(15,089,349) ¹¹	-	-
Transfers (out)	(100,611)	(1,721,918)	1,590,300 ^{6,7}	(131,618)	(31,007)
Change in net position	<u>(2,748,912)</u>	<u>15,706,278</u>	<u>(16,599,528)</u>	<u>(893,250)</u>	<u>1,855,662</u>
Net position - beginning	245,642,023	242,682,023	2,960,000 ³	245,642,023	-
Prior period adjustments	-	-	(341,553) ²	(341,553)	(341,553)
Net position - ending	<u>\$ 242,893,111</u>	<u>\$ 258,388,301</u>	<u>\$ (13,981,081)</u>	<u>\$ 244,407,220</u>	<u>\$ 1,514,109</u>

1) These include amounts for close out FEMA project workorders that are reflected as prior period adjustments for budget purposes.

2) This includes the accrual for compensated absences and GASB 68 pension expense which are not budgeted items.

3) This includes a reclass from prior period adjustment of a settlement payment recorded in the FY19 fund level statements that was accrued in the FY18 Government-wide statements.

4) This includes expenditures budgeted as capital outlay but not capitalizable assets and therefore reported as contractual services for GAAP basis.

5) This represents the principal payments on long-term debt which are budgeted as expenses (see Note #).

6) This represents interfund payments in lieu of taxes which are reflected as interfund transfers for GAAP basis.

7) This represents interfund administrative service charges which are reflected as interfund transfers for GAAP basis.

8) Depreciation is a non-cash expense and therefore not budgeted.

9) Capital outlay is budgeted as an expense but is capitalized and depreciated for GAAP basis.

10) This represents the amortization of deferred charge on bond issuance and bond issuance premiums which are non-cash expenses and therefore not budgeted.

11) Capital contributions are not budgeted items.

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
SANITATION SERVICES**

For the Year Ended September 30, 2019

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 6,318,713	\$ 6,216,505	\$ -	\$ 6,216,505	\$ (102,208)
Total operating revenues	<u>6,318,713</u>	<u>6,216,505</u>	<u>-</u>	<u>6,216,505</u>	<u>(102,208)</u>
Operating Expenses					
Personnel services	3,309,242	3,186,306	82,866 ^{1,2}	3,269,172	40,070
Contractual services	2,131,429	1,448,327	537,290 ²	1,985,619	145,810
Supplies and materials	154,062	148,600	-	148,600	5,462
Other expenses	399,222	209,458	206,000 ³	415,458	(16,236)
Administration charge	232,800	-	232,800 ⁴	232,800	-
Depreciation	-	349,330	(349,330) ⁵	-	-
Capital outlay	1,148,730	-	598,909 ⁶	598,909	549,821
Total operating expenses	<u>7,375,485</u>	<u>5,342,021</u>	<u>1,308,535</u>	<u>6,650,558</u>	<u>724,927</u>
Operating income (loss)	<u>(1,056,772)</u>	<u>874,484</u>	<u>(1,308,535)</u>	<u>(434,053)</u>	<u>622,719</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	7,500	26,206	-	26,206	18,706
Gain (loss) on disposal of capital assets	-	23,311	-	23,311	23,311
Total non-operating revenue (expenses)	<u>7,500</u>	<u>49,517</u>	<u>-</u>	<u>49,517</u>	<u>42,017</u>
Income (loss) before contributions and transfers	<u>(1,049,272)</u>	<u>924,001</u>	<u>(1,308,535)</u>	<u>(384,536)</u>	<u>664,736</u>
Transfers (out)	(35,700)	(474,500)	438,800 ^{3,4}	(35,700)	-
Change in net position	<u>(1,084,972)</u>	<u>449,501</u>	<u>(869,735)</u>	<u>(420,236)</u>	<u>664,736</u>
Net position - beginning	<u>3,951,828</u>	<u>3,951,828</u>	<u>-</u>	<u>3,951,828</u>	<u>-</u>
Prior period adjustments	-	-	919,819 ²	919,819	919,819
Net position - ending	<u>\$ 2,866,856</u>	<u>\$ 4,401,329</u>	<u>\$ 50,084</u>	<u>\$ 4,451,411</u>	<u>\$ 1,584,555</u>

1) This includes the accrual for compensated absences and GASB 68 pension expense which are not budgeted items.

2) These include amounts for close out FEMA project workorders that are reflected as prior period adjustments for budget purposes.

3) This represents interfund payments in lieu of taxes which are reflected as interfund transfers for GAAP basis.

4) This represents interfund administrative service charges which are reflected as interfund transfers for GAAP basis.

5) Depreciation is a non-cash expense and therefore not budgeted.

6) Capital outlay is budgeted as an expense but is capitalized and depreciated for GAAP basis.

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
DRAINAGE UTILITY**

For the Year Ended September 30, 2019

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 2,850,440	\$ 2,788,825	\$ -	\$ 2,788,825	\$ (61,615)
Total operating revenues	<u>2,850,440</u>	<u>2,788,825</u>	<u>-</u>	<u>2,788,825</u>	<u>(61,615)</u>
Operating Expenses					
Personnel services	1,632,885	1,810,356	(178,216) ¹	1,632,140	745
Contractual services	364,888	358,592	-	358,592	6,296
Supplies and materials	134,405	37,577	-	37,577	96,828
Other expenses	60,694	140,606	-	140,606	(79,912)
Administration charge	50,000	-	50,000 ²	50,000	-
Capital outlay	1,477,919	-	1,437,757 ³	1,437,757	40,162
Depreciation	-	716,881	(716,881) ⁴	-	-
Total operating expenses	<u>3,720,791</u>	<u>3,064,012</u>	<u>592,660</u>	<u>3,656,672</u>	<u>64,119</u>
Operating income (loss)	<u>(870,351)</u>	<u>(275,187)</u>	<u>(592,660)</u>	<u>(867,847)</u>	<u>2,504</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	6,000	37,656	-	37,656	31,656
Total non-operating revenue (expenses)	<u>6,000</u>	<u>37,656</u>	<u>-</u>	<u>37,656</u>	<u>31,656</u>
Income (loss) before contributions and transfers	<u>(864,351)</u>	<u>(237,531)</u>	<u>(592,660)</u>	<u>(830,191)</u>	<u>34,160</u>
Capital contributions	-	378,583	(378,583) ⁵	-	-
Transfers (out)	(20,000)	(70,000)	50,000 ²	(20,000)	-
Change in net position	<u>(884,351)</u>	<u>71,052</u>	<u>(921,243)</u>	<u>(850,191)</u>	<u>34,160</u>
Net position - beginning	<u>12,005,727</u>	<u>12,005,727</u>	<u>-</u>	<u>12,005,727</u>	<u>-</u>
Net position - ending	<u>\$ 11,121,376</u>	<u>\$ 12,076,779</u>	<u>\$ (921,243)</u>	<u>\$ 11,155,536</u>	<u>\$ 34,160</u>

1) This represents the accrual for compensated absences and GASB 68 pension expense which are not budgeted items.

2) This represents interfund administrative service charges which are reflected as interfund transfers for GAAP basis.

3) Capital outlay is budgeted as an expenditure but is capitalized and depreciated for GAAP basis.

4) Depreciation is a non-cash expense and therefore not budgeted.

5) Capital contributions are not budgeted items.

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
AIRPORT**

For the Year Ended September 30, 2019

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 1,051,161	\$ 1,055,613	\$ -	\$ 1,055,613	\$ 4,452
Total operating revenues	<u>1,051,161</u>	<u>1,055,613</u>	<u>-</u>	<u>1,055,613</u>	<u>4,452</u>
Operating Expenses					
Personnel services	439,315	374,253	50,747 ¹	425,000	14,315
Contractual services	241,844	218,918	-	218,918	22,926
Supplies and materials	103,000	71,651	-	71,651	31,349
Other expenses	215,619	215,081	-	215,081	538
Administrative charge	59,701	-	59,701 ²	59,701	-
Capital outlay	481,000	-	332,323 ³	332,323	148,677
Depreciation	-	888,566	(888,566) ⁴	-	-
Total operating expenses	<u>1,540,479</u>	<u>1,768,469</u>	<u>(445,795)</u>	<u>1,322,674</u>	<u>217,805</u>
Operating income (loss)	<u>(489,318)</u>	<u>(712,856)</u>	<u>445,795</u>	<u>(267,061)</u>	<u>222,257</u>
Non-Operating Revenues (Expenses)					
Intergovernmental grants	50,000	50,000	-	50,000	-
Interest and investment revenue	12,000	44,942	-	44,942	32,942
Gain (loss) on disposal of capital assets	-	744	-	744	744
Total non-operating revenue (expenses)	<u>62,000</u>	<u>95,686</u>	<u>-</u>	<u>95,686</u>	<u>33,686</u>
Income (loss) before contributions and transfers	<u>(427,318)</u>	<u>(617,170)</u>	<u>445,795</u>	<u>(171,375)</u>	<u>255,943</u>
Capital contributions	-	3,800,418	(3,800,418) ^{5,6}	-	-
Transfers in	-	-	-	-	-
Transfers (out)	<u>(166,630)</u>	<u>(175,832)</u>	<u>59,701</u>	<u>(116,131)</u>	<u>50,499</u>
Change in net position	<u>(593,948)</u>	<u>3,007,416</u>	<u>(3,294,922)</u>	<u>(287,506)</u>	<u>306,442</u>
Net position - beginning	<u>23,101,983</u>	<u>23,101,983</u>	<u>-</u>	<u>23,101,983</u>	<u>-</u>
Prior period adjustments	-	-	8,453 ⁶	8,453	8,453
Net position - ending	<u>\$ 22,508,035</u>	<u>\$ 26,109,399</u>	<u>\$ (3,286,469)</u>	<u>\$ 22,822,930</u>	<u>\$ 314,895</u>

1) This represents the accrual for compensated absences and GASB 68 pension expense which are not budgeted items.

2) This represents interfund administrative service charges which are reflected as interfund transfers for GAAP basis.

3) Capital outlay is budgeted as an expenditure but is capitalized and depreciated for GAAP basis.

4) These items are non-cash expenses and therefore are not budgeted.

5) Capital contributions are not budgeted items.

6) This represents an accrual for the close out of FEMA project workorders that is reflected as prior period adjustments for budget purposes.

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 workers' 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 and participating agencies including the Park Board and Wharves Authority.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2019

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,268,832	\$ 30,577	\$ 1,352,925	\$ -
Accounts receivable, net of allowance for doubtful accounts	86,320	-	1,304	-
Due from other funds	6,577	-	-	28,228
Due from other governments	5,271	-	2,100	529,470
Due from component units	-	-	-	-
Inventories	234,841	-	4,299	-
Prepaid items	-	429,041	32,011	-
Restricted cash and investments	-	-	-	-
Total current assets	<u>1,601,841</u>	<u>459,618</u>	<u>1,392,639</u>	<u>557,698</u>
Non-current assets:				
Capital assets not being depreciated:				
Construction in progress	23,393	-	697,136	-
Capital assets (net of depreciation):				
Buildings and improvements	22,879	-	3,932,030	-
Equipment and furniture	64,037	-	743,225	-
Licensed vehicles	232,337	-	151,189	-
Total non-current assets	<u>342,646</u>	<u>-</u>	<u>5,523,580</u>	<u>-</u>
Total Assets	<u>1,944,487</u>	<u>459,618</u>	<u>6,916,219</u>	<u>557,698</u>
Deferred inflows of Resources				
Deferred outflows relating to OPEB	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	157,069	35,926	103,149	110
Due to other funds	-	-	-	313,432
Long-term liabilities, due within one year	62,699	7,230	219,496	46,729
Total current liabilities	<u>219,768</u>	<u>43,156</u>	<u>322,645</u>	<u>360,271</u>
Non-current liabilities:				
Long-term liabilities, due in more than one year	194,591	44,261	468,421	138,598
Total OPEB liability	-	-	-	-
Total non-current liabilities	<u>194,591</u>	<u>44,261</u>	<u>468,421</u>	<u>138,598</u>
Total Liabilities	<u>414,359</u>	<u>87,417</u>	<u>791,066</u>	<u>498,869</u>
Deferred Inflows of Resources				
Deferred inflows relating to OPEB	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	342,646	-	5,523,580	-
Restricted for capital projects	-	-	-	-
Unrestricted	1,187,482	372,201	601,573	58,829
Total Net Position	<u>\$ 1,530,128</u>	<u>\$ 372,201</u>	<u>\$ 6,125,153</u>	<u>\$ 58,829</u>

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 134,926	\$ 786,597	\$ 3,573,857
-	713,370	800,994
-	-	34,805
-	-	536,841
-	-	-
-	-	239,140
-	12,696	473,748
-	-	-
<u>134,926</u>	<u>1,512,663</u>	<u>5,659,385</u>
-	-	720,529
-	-	3,954,909
-	-	807,262
-	-	383,526
-	-	5,866,226
<u>134,926</u>	<u>1,512,663</u>	<u>11,525,611</u>
-	<u>2,282,209</u>	<u>2,282,209</u>
-	<u>2,282,209</u>	<u>2,282,209</u>
-	127,726	423,980
-	-	313,432
82,392	993,540	1,412,086
<u>82,392</u>	<u>1,121,266</u>	<u>2,149,498</u>
423,893	-	1,269,764
-	9,465,438	9,465,438
<u>423,893</u>	<u>9,465,438</u>	<u>10,735,202</u>
<u>506,285</u>	<u>10,586,704</u>	<u>12,884,700</u>
-	<u>1,645,401</u>	<u>1,645,401</u>
-	<u>1,645,401</u>	<u>1,645,401</u>
-	-	5,866,226
-	-	-
(371,359)	(8,437,233)	(6,588,507)
<u>\$ (371,359)</u>	<u>\$ (8,437,233)</u>	<u>\$ (722,281)</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2019

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Operating Revenues				
Charges for services	\$ 4,163,488	\$ 1,771,270	\$ 4,259,774	\$ 1,154,433
Total operating revenues	<u>4,163,488</u>	<u>1,771,270</u>	<u>4,259,774</u>	<u>1,154,433</u>
Operating Expenses				
Personnel services	1,322,029	157,553	1,979,597	962,997
Contractual services	1,073,614	17,662	1,078,984	130,919
Supplies and materials	2,236,526	1,804	373,092	7,501
Insurance claims and premiums	-	1,667,294	-	-
Other expenses	-	5,280,000	-	-
Depreciation	48,530	-	373,666	-
Total operating expenses	<u>4,680,699</u>	<u>7,124,313</u>	<u>3,805,339</u>	<u>1,101,417</u>
Operating income (loss)	<u>(517,211)</u>	<u>(5,353,043)</u>	<u>454,435</u>	<u>53,016</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	32,299	6,585	36,890	-
Insurance proceeds	142,909	-	-	-
Interest expense	-	-	(19,793)	-
Gain (loss) on disposal of capital assets	30,338	347	3,489	-
Total non-operating revenue (expenses)	<u>205,546</u>	<u>6,932</u>	<u>20,586</u>	<u>-</u>
Income (loss) before capital contributions and transfers	(311,665)	(5,346,111)	475,021	53,016
Capital contributions	23,393	-	386,593	-
Transfers in	74,665	2,386,800	-	-
Transfers (out)	-	-	(450,000)	-
Change in net position	<u>(213,607)</u>	<u>(2,959,311)</u>	<u>411,614</u>	<u>53,016</u>
Total net position - beginning	<u>1,743,735</u>	<u>3,331,512</u>	<u>5,713,539</u>	<u>5,813</u>
Total net position - ending	<u>\$ 1,530,128</u>	<u>\$ 372,201</u>	<u>\$ 6,125,153</u>	<u>\$ 58,829</u>

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 409,020	\$ 9,798,332	\$ 21,556,317
<u>409,020</u>	<u>9,798,332</u>	<u>21,556,317</u>
-	-	4,422,176
-	1,875,153	4,176,332
-	-	2,618,923
292,563	8,709,272	10,669,129
-	519,772	5,799,772
-	-	422,196
<u>292,563</u>	<u>11,104,197</u>	<u>28,108,528</u>
<u>116,457</u>	<u>(1,305,865)</u>	<u>(6,552,211)</u>
8,045	23,108	106,927
-	-	142,909
-	-	(19,793)
-	-	34,174
<u>8,045</u>	<u>23,108</u>	<u>264,217</u>
124,502	(1,282,757)	(6,287,994)
-	-	409,986
-	-	2,461,465
(2,386,800)	-	(2,836,800)
<u>(2,262,298)</u>	<u>(1,282,757)</u>	<u>(6,253,343)</u>
<u>1,890,939</u>	<u>(7,154,476)</u>	<u>5,531,062</u>
<u>\$ (371,359)</u>	<u>\$ (8,437,233)</u>	<u>\$ (722,281)</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2019

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 420,583	\$ -	\$ -	\$ -
Receipts for interfund services	3,719,139	1,771,270	4,259,774	1,155,204
Disbursed for personnel services	(1,299,102)	(155,894)	(1,969,815)	(1,016,083)
Disbursed for goods and services	(3,162,541)	(6,984,040)	(1,421,881)	(139,121)
Net cash provided (used) by operating activities	<u>(321,921)</u>	<u>(5,368,664)</u>	<u>868,078</u>	<u>-</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	74,665	2,386,800	-	-
Transfers to other funds	-	-	(450,000)	-
Net cash provided (used) by noncapital financing activities	<u>74,665</u>	<u>2,386,800</u>	<u>(450,000)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment	30,338	347	3,489	-
Insurance proceeds	142,909	-	-	-
Principal payments on debt	-	-	(118,969)	-
Interest payments on debt	-	-	(19,793)	-
Acquisition and construction of capital assets	(23,749)	-	(146,431)	-
Net cash provided (used) by capital and related financing activities	<u>149,498</u>	<u>347</u>	<u>(281,704)</u>	<u>-</u>
Cash Flows from Investing Activities				
Interest received	32,299	6,585	36,890	-
Net cash provided (used) by investing activities	<u>32,299</u>	<u>6,585</u>	<u>36,890</u>	<u>-</u>
Net increase/(decrease) in cash and equivalents	<u>(65,459)</u>	<u>(2,974,932)</u>	<u>173,264</u>	<u>-</u>
Cash and equivalents, beginning of year	1,334,291	3,005,509	1,179,661	-
Cash and equivalents, at end of year	<u>\$ 1,268,832</u>	<u>\$ 30,577</u>	<u>\$ 1,352,925</u>	<u>\$ -</u>
Unrestricted cash and equivalents	\$ 1,268,832	\$ 30,577	\$ 1,352,925	\$ -
	<u>\$ 1,268,832</u>	<u>\$ 30,577</u>	<u>\$ 1,352,925</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	(517,211)	(5,353,043)	454,435	53,016
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	48,530	-	373,666	-
(Increase) decrease in accounts receivable	(23,766)	-	(3,404)	(224,517)
(Increase) decrease in inventory	72,514	-	-	-
(Increase) decrease in prepaid items	-	(21,166)	(8,135)	-
(Increase) decrease in interfund receivables and payables	-	-	-	225,288
(Increase) decrease in deferred outflows/inflows relating to OPEB	-	-	-	-
Increase (decrease) in accounts payable	75,085	3,886	41,734	(701)
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in compensated absences payable	22,927	1,659	9,782	(53,086)
Increase (decrease) in total OPEB liability	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ (321,921)</u>	<u>\$ (5,368,664)</u>	<u>\$ 868,078</u>	<u>\$ -</u>
Non-cash Transactions:				
Capital contributions	\$ 23,393	\$ -	\$ 386,593	\$ -

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ -	\$ 9,950,814	\$ 10,371,397
409,020	-	11,314,407
-	-	(4,440,894)
(433,719)	(10,763,082)	(22,904,384)
<u>(24,699)</u>	<u>(812,268)</u>	<u>(5,659,474)</u>
-	-	2,461,465
(2,386,800)	-	(2,836,800)
<u>(2,386,800)</u>	<u>-</u>	<u>(375,335)</u>
-	-	34,174
-	-	142,909
-	-	(118,969)
-	-	(19,793)
<u>-</u>	<u>-</u>	<u>(170,180)</u>
-	-	(131,859)
<u>8,045</u>	<u>23,108</u>	<u>106,927</u>
8,045	23,108	106,927
(2,403,454)	(789,160)	(6,059,741)
2,538,380	1,575,757	9,633,598
<u>\$ 134,926</u>	<u>\$ 786,597</u>	<u>\$ 3,573,857</u>
\$ 134,926	\$ 786,597	\$ 3,573,857
\$ 134,926	\$ 786,597	\$ 3,573,857
116,457	(1,305,865)	(6,552,211)
-	-	422,196
-	152,482	(99,205)
-	-	72,514
-	(12,696)	(41,997)
-	-	225,288
-	(42,058)	(42,058)
(45,042)	(16,589)	58,373
(96,114)	85,287	(10,827)
-	-	(18,718)
-	327,171	327,171
<u>\$ (24,699)</u>	<u>\$ (812,268)</u>	<u>\$ (5,659,474)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,986</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, 2017.

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

FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
 December 31, 2018

	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	City of Galveston Employee's Retirement Plan for Police	Total
Assets				
Cash and temporary investments	\$ -	\$ 978,411	\$ -	\$ 978,411
Receivables				
Accounts receivable	-	-	53,819	53,819
Interest and dividends	10,302	-	55,327	65,629
Loans to participants	-	-	189,503	189,503
Prepaid items		11,307	-	11,307
Investments				
Money market funds	1,424,952	-	854,183	2,279,135
Bonds	-	-	5,499,614	5,499,614
Common stocks	-	14,146,130	-	14,146,130
Equity mutual funds	28,687,485	11,498,031	11,229,531	51,415,047
Bond mutual funds	13,844,144	4,486,930	-	18,331,074
Alternative investments	4,569,717	5,663,247	-	10,232,964
Real estate	-	5,704,245	-	5,704,245
Total Assets	<u>48,536,600</u>	<u>42,488,301</u>	<u>17,881,977</u>	<u>108,906,878</u>
Liabilities				
Accounts payable	22,271	-	25,580	47,851
Total Liabilities	<u>22,271</u>	<u>-</u>	<u>25,580</u>	<u>47,851</u>
Net Position - Restricted for Pension Benefits				
Held in trust for benefits and other purposes	48,514,329	42,488,301	17,856,397	108,859,027
Total Net Position - Restricted for Pension Benefits	<u>\$ 48,514,329</u>	<u>\$ 42,488,301</u>	<u>\$ 17,856,397</u>	<u>\$ 108,859,027</u>

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2018

	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	City of Galveston Employee's Retirement Plan for Police	Total
Additions				
Contributions:				
Employer	\$ 2,367,759	\$ 2,369,263	\$ 1,713,305	\$ 6,450,327
Plan members	1,578,505	1,413,412	1,417,069	4,408,986
Total contributions	<u>3,946,264</u>	<u>3,782,675</u>	<u>3,130,374</u>	<u>10,859,313</u>
Investment Earnings:				
Net increase (decrease) in fair value of investments	(3,493,680)	(3,253,545)	(1,528,406)	(8,275,631)
Interest and dividends	1,170,713	963,013	465,653	2,599,379
Less investment expenses	(108,872)	(195,122)	(71,542)	(375,536)
Net investment income (loss)	<u>(2,431,839)</u>	<u>(2,485,654)</u>	<u>(1,134,295)</u>	<u>(6,051,788)</u>
Other income	-	933	-	933
Total Additions	<u>1,514,425</u>	<u>1,297,954</u>	<u>1,996,079</u>	<u>4,808,458</u>
Deductions				
Benefits paid to members and beneficiaries	4,411,522	3,287,147	4,275,151	11,973,820
Refunds of contributions	-	28,941	-	28,941
Administrative expenses	138,864	145,205	408,688	692,757
Total Deductions	<u>4,550,386</u>	<u>3,461,293</u>	<u>4,683,839</u>	<u>12,695,518</u>
Change in net position	(3,035,961)	(2,163,339)	(2,687,760)	(7,887,060)
Net position - restricted for pensions, beginning of year	<u>51,550,290</u>	<u>44,651,640</u>	<u>20,544,157</u>	<u>116,746,087</u>
Net position - restricted for pensions, end of year	<u>\$ 48,514,329</u>	<u>\$ 42,488,301</u>	<u>\$ 17,856,397</u>	<u>\$ 108,859,027</u>

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended September 30, 2019

	September 30, 2018	Additions	Deletions	September 30, 2019
Assets				
Cash and temporary investments	\$ 764,678	\$ 1,096,248	\$ (1,163,392)	\$ 697,534
Total Assets	<u>764,678</u>	<u>1,096,248</u>	<u>(1,163,392)</u>	<u>697,534</u>
Liabilities				
Accounts and refunds payable	764,678	338,595	(405,739)	697,534
Total Liabilities	<u>\$ 764,678</u>	<u>\$ 338,595</u>	<u>\$ (405,739)</u>	<u>\$ 697,534</u>

DISCRETELY PRESENTED COMPONENT UNITS

The following statements combine information from six of the City's eight discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2019

	Park Board of Trustees	Galveston Island Redevelopment Authority	Campeche Shores - Public Improvement District No. 1	Beachside Village - Public Improvement District
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,453,396	\$ 3,109,796	\$ -	\$ -
Investments	3,015,700	-	-	-
Accounts receivable, net of allowance for doubtful accounts	1,932,047	-	69,059	-
Inventories	9,251	-	-	-
Prepaid items	369,930	-	-	-
Other	7,300	-	-	-
Restricted cash and temporary investments	-	-	-	-
Total current assets	<u>14,787,624</u>	<u>3,109,796</u>	<u>69,059</u>	<u>-</u>
Non-current assets:				
Net investment in direct financing and capital leases	-	-	-	-
Capital assets not being depreciated	1,476,225	-	-	-
Capital assets (net of accumulated depreciation)	313,503,219	-	-	-
Total non-current assets	<u>314,979,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>329,767,068</u>	<u>3,109,796</u>	<u>69,059</u>	<u>-</u>
Deferred Outflows of Resources				
Deferred charge on refunding	-	22,895	-	-
Deferred outflows relating to pension activities	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>22,895</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	1,850,112	6,191,370	-	-
Due to other governments	206,593	-	-	-
Interest payable	14,625	-	-	-
Deferred revenue	111,358	-	-	-
Due within one year	700,629	465,000	-	-
Total current liabilities	<u>2,883,317</u>	<u>6,656,370</u>	<u>-</u>	<u>-</u>
Non-current liabilities:				
Due in more than one year	3,023,327	18,962,110	-	-
Net pension liability	-	-	-	-
Total non-current liabilities	<u>3,023,327</u>	<u>18,962,110</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,906,644</u>	<u>25,618,480</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows relating to pension activities	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	311,496,757	-	-	-
Restricted:				
Debt service	393,132	490,715	-	-
Unrestricted	11,970,535	(22,976,504)	69,059	-
Total Net Position	<u>\$ 323,860,424</u>	<u>\$ (22,485,789)</u>	<u>\$ 69,059</u>	<u>\$ -</u>

*As of December 31, 2018

Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Total
\$ 1,128,876	\$ 12,718,072	\$ 26,410,140
-	-	3,015,700
-	6,062,425	8,063,531
-	-	9,251
-	751,552	1,121,482
-	-	7,300
-	17,099,839	17,099,839
<u>1,128,876</u>	<u>36,631,888</u>	<u>55,727,243</u>
-	1,659,552	1,659,552
-	34,007,306	35,483,531
6,052,931	115,786,546	435,342,696
<u>6,052,931</u>	<u>151,453,404</u>	<u>472,485,779</u>
<u>7,181,807</u>	<u>188,085,292</u>	<u>528,213,022</u>
122,162	-	145,057
-	984,558	984,558
<u>122,162</u>	<u>984,558</u>	<u>1,129,615</u>
-	7,004,802	15,046,284
-	189,168	395,761
-	584,164	598,789
-	2,124,310	2,235,668
175,000	5,443,731	6,784,360
<u>175,000</u>	<u>15,346,175</u>	<u>25,060,862</u>
8,975,000	35,535,885	66,496,322
-	2,442,467	2,442,467
<u>8,975,000</u>	<u>37,978,352</u>	<u>68,938,789</u>
<u>9,150,000</u>	<u>53,324,527</u>	<u>93,999,651</u>
-	-	-
-	846,633	846,633
-	<u>846,633</u>	<u>846,633</u>
(2,799,907)	116,705,066	425,401,916
-	8,408,718	9,292,565
953,876	9,784,906	(198,128)
<u>\$ (1,846,031)</u>	<u>\$ 134,898,690</u>	<u>\$ 434,496,353</u>

**DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Galveston Island Redevelopment Authority
		Charges for Services	Capital Grants and Contributions	Park Board of Trustees	
Component Unit:					
Park Board of Trustees	\$ 37,419,533	\$ 7,072,310	\$ 2,831,656	\$ (27,515,567)	
Galveston Island Redevelopment Authority	2,006,368	-	-	-	(2,006,368)
Campeche Shores - Public Improvement District No. 1	85,877	-	-		
Beachside Village - Public Improvement District	105,594	-	-		
Bayside at Waterman's - Public Improvement District	841,633	-	-		
Board of Trustees of Galveston Wharves*	38,416,257	43,514,516	1,669,423		
	<u>\$ 78,875,262</u>	<u>\$ 50,586,826</u>	<u>\$ 4,501,079</u>	<u>(27,515,567)</u>	<u>(2,006,368)</u>
General revenues					
Taxes:					
Property taxes				-	2,703,635
Hotel occupancy taxes				12,264,209	-
Special assessments				-	-
Miscellaneous				2,898,860	-
Unrestricted investment earnings				152,684	37,925
Total general revenues				<u>15,315,753</u>	<u>2,741,560</u>
Change in net position				(12,199,814)	735,192
Net position (deficit) - beginning				<u>336,060,238</u>	<u>(23,220,981)</u>
Net position (deficit) - ending				<u>\$ 323,860,424</u>	<u>\$ (22,485,789)</u>

*For the Year Ended December 31, 2018

**As restated.

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*	Totals
				\$ (27,515,567)
				(2,006,368)
(85,877)				(85,877)
	(105,594)			(105,594)
		(841,633)		(841,633)
			6,767,682	6,767,682
<u>(85,877)</u>	<u>(105,594)</u>	<u>(841,633)</u>	<u>6,767,682</u>	<u>(23,787,357)</u>
-	-	-	-	2,703,635
-	-	-	-	12,264,209
88,200	105,594	786,074	-	979,868
-	-	-	-	2,898,860
-	-	31,500	280,987	503,096
<u>88,200</u>	<u>105,594</u>	<u>817,574</u>	<u>280,987</u>	<u>19,349,668</u>
2,323	-	(24,059)	7,048,669	(4,437,689)
<u>66,736</u>	<u>-</u>	<u>(1,821,972)</u>	<u>127,850,021</u> **	<u>438,934,042</u>
<u>\$ 69,059</u>	<u>\$ -</u>	<u>\$ (1,846,031)</u>	<u>\$ 134,898,690</u>	<u>\$ 434,496,353</u>

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Unaudited Stastical Section



2019 Comprehensive Annual Financial Report



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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.

Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and “well-being” have changed over time 138

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue sources: sales and property taxes..... 148

Debt Capacity

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..... 154

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place 158

Operating Information

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. 162

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

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

Amounts in (000's)
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 98,300	\$ 98,510	\$ 90,856	\$ 102,988
Restricted	26,256	25,326	25,670	22,388
Unrestricted	26,157	10,861	31,737	33,857
Total governmental activities net position	<u>\$ 150,713</u>	<u>\$ 134,697</u>	<u>\$ 148,263</u>	<u>\$ 159,233</u>
Business-type Activities				
Net investment in capital assets	\$ 79,051	\$ 99,989	\$ 80,157	\$ 181,656
Restricted	10,949	11,886	11,920	21,326
Unrestricted	20,713	22,183	70,504	18,221
Total business-type activities net position	<u>\$ 110,713</u>	<u>\$ 134,058</u>	<u>\$ 162,581</u>	<u>\$ 221,203</u>
Primary government				
Net investment in capital assets	\$ 177,351	\$ 198,499	\$ 171,013	\$ 284,644
Restricted	37,205	37,212	37,590	43,714
Unrestricted	46,870	33,044	102,241	52,078
Total primary government net position	<u>\$ 261,426</u>	<u>\$ 268,755</u>	<u>\$ 310,844</u>	<u>\$ 380,436</u>

* As restated.

Fiscal Year					
2014	2015	2016	2017*	2018*	2019
\$ 110,071	\$ 113,903	\$ 131,335	\$ 147,847	\$ 170,911	\$ 191,799
26,170	35,409	32,732	34,264	33,271	31,559
30,237	(27,164)	(18,881)	(27,203)	(46,587)	(51,039)
<u>\$ 166,478</u>	<u>\$ 122,148</u>	<u>\$ 145,186</u>	<u>\$ 154,908</u>	<u>\$ 157,595</u>	<u>\$ 172,319</u>
\$ 181,656	\$ 178,032	\$ 193,491	\$ 240,169	\$ 255,587	\$ 277,164
21,326	18,097	15,706	2,937	3,196	2,674
18,220	39,681	45,169	28,429	23,274	21,056
<u>\$ 221,202</u>	<u>\$ 235,810</u>	<u>\$ 254,366</u>	<u>\$ 271,535</u>	<u>\$ 282,057</u>	<u>\$ 300,894</u>
\$ 291,727	\$ 291,935	\$ 324,826	\$ 388,016	\$ 426,498	\$ 468,963
47,496	53,506	48,438	37,201	36,467	34,233
48,457	12,517	26,288	1,226	(23,313)	(29,983)
<u>\$ 387,680</u>	<u>\$ 357,958</u>	<u>\$ 399,552</u>	<u>\$ 426,443</u>	<u>\$ 439,652</u>	<u>\$ 473,213</u>

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental Activities:				
General government	\$ 8,484	\$ 7,413	\$ 5,164	\$ 6,874
Public Safety	29,180	27,056	26,919	28,075
Public works	25,590	23,631	6,925	6,847
Culture and recreation	8,289	8,820	9,672	9,082
Planning and community development	7,902	31,723	12,942	11,972
Transportation system	5,347	4,649	24,150	8,164
Interest on long-term debt	2,868	2,555	4,909	1,716
Total governmental activities expenses	<u>87,660</u>	<u>105,847</u>	<u>90,681</u>	<u>72,730</u>
Business-Type Activities:				
Combined utility system	25,367	26,577	24,992	25,659
Sanitation	3,999	4,108	4,176	4,382
Drainage	1,737	1,750	1,959	1,873
Airport	1,127	1,496	1,468	1,499
Total business-type activities expenses	<u>32,230</u>	<u>33,931</u>	<u>32,595</u>	<u>33,413</u>
Total primary government expenses	<u>119,890</u>	<u>139,778</u>	<u>123,276</u>	<u>106,143</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	1,717	1,841	2,159	1,884
Public safety	2,310	3,030	2,554	2,417
Public works	50	318	-	-
Culture and recreation	2	1	2	2
Planning and community development	1,282	1,441	1,379	1,402
Transportation system	508	650	840	1,575
Operating grants and contributions:				
General government	3,336	176	-	-
Public safety	5,234	537	181	249
Public works	37,424	281	-	-
Culture and recreation	963	734	116	139
Planning and community development	5,069	25,706	31,006	11,119
Transportation system	6,749	3,015	2,771	2,789
Capital grants and contributions:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	25,298	10,247	1,718	71
Culture and recreation	23	3	-	-
Planning and community development	-	12,398	23,385	27,313
Transportation system	2,934	1,392	3,525	3,858
Total governmental activities program revenues	<u>92,899</u>	<u>61,770</u>	<u>69,636</u>	<u>52,818</u>
Business-Type Activities				
Charges for services:				
Combined utility system	26,511	28,240	29,199	30,450
Sanitation	4,257	4,247	4,655	5,088
Drainage	2,567	2,507	2,517	2,564
Airport	1,312	804	1,186	1,236
Operating grants and contributions:				
Airport	-	-	-	-
Capital grants and contributions:				
Combined utility system	-	-	1,628	-
Drainage	-	-	330	-
Airport	11,964	2,700	2,413	26
Total business-type activities program revenues	<u>46,611</u>	<u>38,498</u>	<u>41,928</u>	<u>39,364</u>
Total primary government program revenues	<u>139,510</u>	<u>100,268</u>	<u>111,564</u>	<u>92,182</u>
Net (Expense) Revenue				
Governmental activities	5,239	(44,077)	(21,045)	(19,912)
Business-type activities	14,381	4,567	9,333	5,951
Total primary government net (expense) revenue	<u>\$ 19,620</u>	<u>\$ (39,510)</u>	<u>\$ (11,712)</u>	<u>\$ (13,961)</u>

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 7,864	\$ 8,284	\$ 9,882	\$ 13,984	\$ 10,381	\$ 8,870	
29,542	32,840	31,839	34,793	36,194	38,415	
6,504	6,570	6,383	7,729	9,669	10,653	
11,300	12,240	18,416	18,754	17,633	19,637	
5,246	8,799	4,733	10,067	21,999	7,512	
6,804	8,424	6,013	5,705	5,125	4,693	
2,160	1,896	2,660	1,620	2,488	2,232	
<u>69,420</u>	<u>79,053</u>	<u>79,926</u>	<u>92,652</u>	<u>103,489</u>	<u>92,012</u>	
26,907	22,494	21,011	32,273	35,646	36,776	
4,781	2,537	2,949	5,739	6,566	5,342	
2,356	12,444	14,141	2,979	2,726	3,064	
1,579	1,709	1,774	1,887	1,796	1,768	
<u>35,623</u>	<u>39,184</u>	<u>39,875</u>	<u>42,878</u>	<u>46,734</u>	<u>46,950</u>	
<u>105,043</u>	<u>118,237</u>	<u>119,801</u>	<u>135,530</u>	<u>150,223</u>	<u>138,962</u>	
1,873	1,977	1,725	1,761	225	127	
2,246	2,113	2,378	2,658	1,870	2,017	
-	-	-	-	-	-	
-	-	42	198	1,436	1,604	
1,845	2,002	1,714	1,455	1,375	1,423	
1,875	1,365	1,681	1,568	1,166	446	
-	52	14	-	-	-	
254	279	2,613	930	333	601	
-	-	-	-	-	-	
180	103	1,885	109	196	100	
9,067	1,958	4,881	15,228	1,722	740	
3,559	3,472	3,506	2,792	2,293	2,061	
-	2,396	-	-	-	465	
-	619	-	-	-	-	
13	2,323	32	-	-	-	
-	36	-	400	380	115	
24,112	23,824	21,705	10,942	25,979	32,828	
799	5,424	3,897	3,600	1,217	71	
<u>45,823</u>	<u>47,943</u>	<u>46,073</u>	<u>41,641</u>	<u>38,192</u>	<u>42,598</u>	
30,525	21,506	26,796	37,201	38,279	36,999	
5,617	2,277	2,464	5,494	6,288	6,216	
2,584	11,540	14,524	2,853	2,825	2,789	
1,230	1,594	1,151	935	957	1,056	
-	69	43	251	322	50	
-	-	-	2,808	63	25	
-	46	-	-	-	-	
999	896	1,972	501	499	3,702	
<u>40,955</u>	<u>37,928</u>	<u>46,950</u>	<u>50,043</u>	<u>49,233</u>	<u>50,837</u>	
<u>86,778</u>	<u>85,871</u>	<u>93,023</u>	<u>91,684</u>	<u>87,425</u>	<u>93,435</u>	
(23,597)	(31,110)	(33,853)	(51,011)	(65,297)	(49,414)	
5,332	(1,256)	7,075	7,165	2,499	3,887	
<u>\$ (18,265)</u>	<u>\$ (32,366)</u>	<u>\$ (26,778)</u>	<u>\$ (43,846)</u>	<u>\$ (62,798)</u>	<u>\$ (45,527)</u>	

CHANGES IN NET POSITION*Last Ten Fiscal Years**Amounts in (000's)**(Accrual Basis of Accounting)**(Unaudited)*

	Fiscal Year			
	2010	2011	2012	2013
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property taxes	\$ 18,270	\$ 20,087	\$ 21,489	\$ 21,988
Sales and use taxes	15,705	16,589	17,712	18,638
Hotel occupancy taxes	4,058	4,722	5,507	5,500
Franchise taxes	4,756	5,009	5,073	5,043
Payments in lieu of taxes	120	120	119	125
Unrestricted investment earnings	115	89	122	179
Miscellaneous	438	1,113	3,418	2,535
Insurance proceeds	7,170	-	-	-
Transfers	695	(18,863)	(18,830)	(23,124)
Total governmental activities general revenues and other changes in net position	<u>51,327</u>	<u>28,866</u>	<u>34,610</u>	<u>30,884</u>
Business-Type Activities:				
Net gain on sale of asset	169	-	-	-
Unrestricted investment earnings	106	155	132	153
Miscellaneous	-	158	228	4,075
Impairment of capital assets due to Hurricane Ike	(34)	-	-	-
Insurance proceeds	220	-	-	-
Transfers	(695)	18,863	18,830	23,124
Total business-type activities general revenues and other changes in net position	<u>(234)</u>	<u>19,176</u>	<u>19,190</u>	<u>27,352</u>
Total primary government general revenues and other changes in net position	<u>51,093</u>	<u>48,042</u>	<u>53,800</u>	<u>58,236</u>
Changes in Net Position:				
Governmental activities	56,566	(15,211)	13,565	10,972
Business-type activities	14,147	23,743	28,523	33,303
Total primary government changes in net position	<u>\$ 70,713</u>	<u>\$ 8,532</u>	<u>\$ 42,088</u>	<u>\$ 44,275</u>

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 22,920	\$ 23,272	\$ 25,963	\$ 28,509	\$ 31,846	\$ 32,692	
19,978	20,588	20,956	21,143	21,425	22,633	
6,092	7,068	11,782	11,731	13,279	12,824	
5,267	5,245	5,386	5,563	6,605	6,420	
165	207	268	289	167	248	
120	299	492	444	1,462	1,714	
927	523	3,038	1,699	1,971	705	
-	7,111	-	-	-	-	
(23,601)	(18,951)	(29,007)	(9,260)	(9,368)	(13,099)	
<u>31,868</u>	<u>45,362</u>	<u>38,878</u>	<u>60,118</u>	<u>67,387</u>	<u>64,137</u>	
-	-	-	273	-	108	
54	179	154	281	998	1,743	
165	30	1	189	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
23,601	18,951	29,007	9,260	9,368	13,099	
<u>23,820</u>	<u>19,160</u>	<u>29,162</u>	<u>10,003</u>	<u>10,366</u>	<u>14,950</u>	
<u>55,688</u>	<u>64,522</u>	<u>68,040</u>	<u>70,121</u>	<u>77,753</u>	<u>79,087</u>	
8,270	14,252	5,025	9,107	2,091	14,723	
29,153	17,904	36,237	17,168	12,758	18,837	
<u>\$ 37,423</u>	<u>\$ 32,156</u>	<u>\$ 41,262</u>	<u>\$ 26,275</u>	<u>\$ 14,849</u>	<u>\$ 33,560</u>	

FUND BALANCES OF GOVERNMENTAL FUNDS*Last Ten Fiscal Years**(Modified Accrual Basis of Accounting)**(Unaudited)*

	Fiscal Year			
	2010	2011	2012	2013
General fund				
Nonspendable:				
Prepaid items	\$ 101,738	\$ 88,521	\$ 49,626	\$ 47,206
Restricted:				
Debt service	-	-	363,296	363,296
Committed:				
Other	-	363,296	-	-
Assigned:				
Emergency reserves	3,025,226	3,402,225	3,425,226	3,575,226
Unassigned	8,580,214	6,588,090	12,939,901	14,751,167
Total General fund	<u>\$ 11,707,178</u>	<u>\$ 10,442,132</u>	<u>\$ 16,778,049</u>	<u>\$ 18,736,895</u>
All other governmental funds				
Nonspendable:				
Inventories	\$ 193,611	\$ 151,858	\$ 148,976	\$ 162,672
Prepaid items	-	-	-	-
Restricted:				
Debt service	7,643,345	8,447,339	12,515,705	12,749,073
Beach preservation	-	-	4,921,580	968,854
Infrastructure and debt service	-	-	-	-
Capital projects	16,854,667	29,207,678	15,276,707	21,195,867
Grants	-	-	8,782,571	8,775,316
Other	287,163	-	-	-
Convention Center Operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	2,680,920	2,145,641	1,834,852	1,353,703
Assigned:				
Other	30,831,813	-	-	-
Unassigned	-	(147,964)	(188,367)	(138,902)
Total all other governmental funds	<u>\$ 58,491,519</u>	<u>\$ 39,804,552</u>	<u>\$ 43,292,024</u>	<u>\$ 45,066,583</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					
2014	2015	2016	2017	2018	2019
\$ 85,379	\$ 92,764	\$ 88,427	\$ 79,354	\$ 91,435	\$ 68,961
2,519,528	-	-	-	-	-
-	-	-	-	-	-
3,575,226	3,575,226	3,575,226	11,968,618	13,550,627	13,384,909
13,706,159	14,989,479	16,995,557	5,738,923	6,179,328	3,055,805
<u>\$ 19,886,292</u>	<u>\$ 18,657,469</u>	<u>\$ 20,659,210</u>	<u>\$ 17,786,895</u>	<u>\$ 19,821,390</u>	<u>\$ 16,509,675</u>
\$ 259,579	\$ 264,300	\$ 294,596	\$ 129,879	\$ 310,764	\$ 331,719
-	249,875	-	-	23,122	10,045
6,634,959	5,139,884	4,254,333	4,408,675	4,367,984	4,465,821
3,228,192	864,030	1,056,745	1,212,904	1,358,515	1,516,878
-	-	-	4,393,781	3,504,762	4,168,643
20,634,660	26,858,694	21,549,478	46,396,468	41,924,866	35,359,833
10,143,558	10,128,787	1,833,048	951,233	411,349	540,074
-	-	-	-	-	-
3,821,514	4,066,682	520,419	1,837,916	3,130,596	3,179,700
2,815,873	3,375,562	4,154,602	1,055,608	1,473,585	1,626,422
1,633,932	7,517,189	12,933,623	5,404,901	4,160,382	1,551,041
-	-	-	6,346,778	5,350,132	5,362,283
(109,360)	(241,400)	(430,719)	(14,770)	(16,706)	-
<u>\$ 49,062,907</u>	<u>\$ 58,223,603</u>	<u>\$ 46,166,125</u>	<u>\$ 72,123,373</u>	<u>\$ 65,999,351</u>	<u>\$ 58,112,459</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Taxes:				
Property taxes	\$ 18,284,008	\$ 20,133,281	\$ 21,581,964	\$ 22,134,235
Sales and use taxes	19,762,544	21,310,423	23,218,434	24,137,885
Franchise taxes	4,756,164	5,009,456	5,073,022	5,042,575
Licenses and permits	1,161,760	1,143,096	1,260,920	1,157,610
Fines and forfeitures	2,040,355	2,833,357	2,466,092	2,243,919
Charges for services	2,285,567	2,647,526	2,703,729	3,290,246
Investment earnings	103,811	77,639	103,988	149,833
Intergovernmental	68,424,863	54,464,276	62,395,037	47,740,626
Other	2,388,035	2,235,767	2,633,854	974,471
Payments in lieu of taxes	120,117	-	-	-
Total Revenues	<u>119,327,224</u>	<u>109,854,821</u>	<u>121,437,040</u>	<u>106,871,400</u>
Expenditures				
General government	7,642,352	6,565,344	5,862,705	6,478,540
Public safety	28,881,042	27,751,162	26,312,416	26,953,671
Highways and roads	17,007,107	20,947,719	4,376,642	4,171,875
Culture and recreation	6,697,503	7,933,345	7,902,712	6,964,476
Planning and community development	6,420,644	30,051,147	33,911,247	11,784,903
Transportation	4,941,417	5,115,134	5,057,683	5,291,857
Capital outlay	33,770,019	26,735,581	28,211,925	33,036,633
Debt Service:				
Principal	22,393,732	2,474,843	3,460,785	7,420,397
Interest and other charges	3,479,515	3,657,873	3,385,968	3,311,138
Total Expenditures	<u>131,233,331</u>	<u>131,232,148</u>	<u>118,482,083</u>	<u>105,413,490</u>
Excess of revenues over (under) expenditures	(11,906,107)	(21,377,327)	2,954,957	1,457,910
Other Financing Sources (Uses)				
Premiums on bonds	-	-	2,632,838	1,700,560
Proceeds from bond sales	-	8,029,904	-	-
Payments to refunding bond escrow agent	-	(7,810,944)	-	(42,296,436)
Issuance of debt	-	150,000	1,564,791	41,165,000
Sale of capital assets	(3,808)	150,489	1,990,040	467,254
Transfers in	6,295,984	4,281,316	2,816,126	13,261,479
Transfers (out)	(5,601,169)	(3,378,451)	(2,135,363)	(12,022,362)
Total Other Financing Sources (Uses)	<u>691,007</u>	<u>1,422,314</u>	<u>6,868,432</u>	<u>2,275,495</u>
Extraordinary item - insurance proceeds from Hurricane Ike	7,170,024	-	-	-
Net change in fund balances	<u>\$ (4,045,076)</u>	<u>\$ (19,955,013)</u>	<u>\$ 9,823,389</u>	<u>\$ 3,733,405</u>
Debt service as a percentage of noncapital expenditures	26.5%	5.9%	7.6%	14.8%

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 23,063,200	\$ 23,215,372	\$ 26,076,657	\$ 28,357,560	\$ 31,856,689	\$ 32,409,278	
26,477,757	27,656,239	31,899,257	31,994,292	34,704,102	35,456,386	
5,267,085	5,244,681	6,224,831	6,542,201	6,604,636	6,420,262	
1,226,220	1,437,379	1,330,049	1,142,579	1,196,241	1,264,319	
1,991,045	1,775,217	1,877,085	1,667,151	1,620,853	1,771,369	
3,818,853	4,211,953	4,040,969	4,112,023	2,831,731	2,252,123	
101,853	257,725	426,697	397,473	1,311,524	1,607,645	
40,750,422	42,403,382	37,174,025	37,662,122	34,950,034	39,882,936	
1,163,677	8,390,920	7,927,895	2,287,674	2,464,658	1,146,282	
-	-	-	188,561	166,921	248,545	
<u>103,860,112</u>	<u>114,592,868</u>	<u>116,977,465</u>	<u>114,351,636</u>	<u>117,707,389</u>	<u>122,459,145</u>	
6,881,718	8,030,642	7,870,018	9,383,448	8,979,498	8,394,061	
27,522,088	26,895,220	28,662,210	30,744,605	31,746,253	33,077,768	
3,707,638	3,559,100	3,623,002	3,933,319	4,959,120	8,794,060	
9,101,210	10,002,638	16,080,344	15,326,905	17,080,557	17,047,521	
5,086,927	4,367,107	4,026,954	8,838,704	6,027,028	8,677,373	
5,562,920	5,656,739	5,853,333	5,543,757	4,453,424	3,923,930	
34,977,699	21,545,616	41,872,758	38,569,718	41,922,932	48,132,202	
6,030,509	4,681,927	6,520,000	5,126,769	6,578,170	4,819,042	
2,561,735	2,500,163	3,893,170	1,911,402	2,153,652	3,838,683	
<u>101,432,444</u>	<u>87,239,152</u>	<u>118,401,789</u>	<u>119,378,627</u>	<u>123,900,634</u>	<u>136,704,640</u>	
2,427,668	27,353,716	(1,424,324)	(5,026,991)	(6,193,245)	(14,245,495)	
-	832,890	2,455,092	2,708,151	-	-	
-	5,900,000	17,365,000	22,600,000	-	-	
-	(6,583,192)	(19,522,803)	-	-	-	
1,071,675	-	-	-	-	-	
49,650	99,109	29,260	87,474	195,262	229,303	
9,599,009	6,666,229	5,654,928	37,901,933	8,917,866	16,785,746	
(8,002,281)	(26,336,878)	(5,034,951)	(36,849,302)	(7,009,410)	(13,968,161)	
<u>2,718,053</u>	<u>(19,421,842)</u>	<u>946,526</u>	<u>26,448,256</u>	<u>2,103,718</u>	<u>3,046,888</u>	
-	-	-	-	-	-	
<u>\$ 5,145,721</u>	<u>\$ 7,931,874</u>	<u>\$ (477,798)</u>	<u>\$ 21,421,265</u>	<u>\$ (4,089,527)</u>	<u>\$ (11,198,607)</u>	
12.9%	10.2%	11.2%	8.0%	10.7%	8.1%	

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

*Last Ten Fiscal Years
(Unaudited)*

Fiscal Year	Tax Year	Real Property			Less Tax Exempt Real Property
		Residential Property	Commercial Property	Personal Property	
2010	2009	\$ 2,167,585,323	\$ 2,951,165,328	\$ 414,590,143	\$ 1,821,220,513
2011	2010	2,600,611,993	3,201,974,825	398,646,446	2,164,806,162
2012	2011	2,674,029,115	3,210,868,106	444,753,436	2,161,465,941
2013	2012	2,783,049,150	3,245,742,583	405,015,345	2,138,642,852
2014	2013	2,900,855,946	3,258,506,374	472,287,826	2,136,684,374
2015	2014	3,109,392,234	3,285,126,046	490,178,278	2,182,286,536
2016	2015	3,614,663,644	3,466,803,912	499,272,793	2,370,968,269
2017	2016	4,145,731,072	3,797,508,172	520,124,585	2,739,456,194
2018	2017	4,450,093,691	3,944,138,009	509,184,006	2,917,754,617
2019	2018	4,531,905,248	3,923,365,230	543,761,710	2,876,209,789

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 Value	Assessed Value as a Percentage of Estimated Actual Value	Total Tax Levy for Fiscal Year
\$ 3,712,120,281	\$ 0.55400	\$ 5,533,340,794	67.09%	\$ 20,565,146
4,040,383,002	0.55400	6,201,233,264	65.15%	22,383,722
4,157,066,664	0.55400	6,329,650,657	65.68%	23,030,149
4,280,647,667	0.55400	6,433,807,078	66.53%	23,714,788
4,494,965,772	0.55400	6,631,650,146	67.78%	24,902,110
4,702,410,022	0.53389	6,884,696,558	68.30%	25,105,697
5,209,772,080	0.52900	7,580,740,349	68.72%	27,559,694
5,723,907,635	0.52600	8,463,363,829	67.63%	30,107,754
5,985,661,089	0.56100	8,903,415,706	67.23%	33,579,559
6,122,822,399	0.56100	8,999,032,188	68.04%	34,349,034

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**

*Last Ten Fiscal Years
(Unaudited)*

Fiscal Year	City Direct Rates				Overlapping Rates					Total Millage
	General	Library	Debt Service	Total Direct	Galveston Independent School District	Galveston College	Navigation District 1	Galveston County		
2010	\$ 0.44040	\$ 0.05000	\$ 0.06360	\$ 0.55400	\$ 1.16500	\$ 0.17000	\$ 0.03200	\$ 0.55860	\$ 2.47960	
2011	0.44640	0.05000	0.05760	0.55400	1.16500	0.18950	0.04880	0.61980	2.57710	
2012	0.45120	0.05000	0.05280	0.55400	1.16500	0.18950	0.04660	0.61290	2.56800	
2013	0.45320	0.05000	0.04887	0.55207	1.16500	0.18940	0.04660	0.59990	2.55297	
2014	0.45513	0.05000	0.05080	0.55593	1.16500	0.18700	0.04662	0.58370	2.53825	
2015	0.43658	0.05000	0.04731	0.53389	1.15500	0.18700	0.04662	0.57884	2.50135	
2016	0.43396	0.05000	0.04505	0.52900	1.15500	0.17875	0.04529	0.56125	2.46929	
2017	0.44103	0.05000	0.03498	0.52600	1.15500	0.17025	0.04167	0.54625	2.43917	
2018	0.44100	0.05000	0.07000	0.56100	1.15500	0.16619	0.04047	0.54615	2.46881	
2019	0.45850	0.05000	0.05250	0.56100	1.15500	0.17519	0.04292	0.52983	2.46394	

Source: Galveston Central Appraisal District, 2018 Taxing Entities and Tax Rates

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Fiscal Year 2019 Tax Year 2018			Fiscal Year 2010 Tax Year 2009		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
CenterPoint Energy Inc	\$ 50,873,600	1	0.83%	\$ 38,663,230	1	1.04%
Fertitta Hospitality Inc	43,026,250	2	0.70%	30,297,770	2	0.82%
Beatty Street Properties	20,035,900	3	0.33%			
TFT Galveston Portfolio LTD	18,679,220	4	0.31%			
Eighteen Seventy Strand Corp	18,520,950	5	0.30%			
Silverleaf Resorts Inc	17,957,590	7	0.29%			0.00%
Galveston Island Water Park LP	17,243,090	6	0.28%			
Island Hospitality Inc.	15,160,090	8	0.25%	16,420,010	5	0.44%
Union Pacific Railroad	14,784,390	9	0.24%	13,876,630	8	
Galveston Terminals Inc.	14,609,570	10	0.24%			
East Beach Partners, Ltd.	-			20,587,500	3	0.55%
Halliburton Energy Services	-			19,163,354	4	0.52%
Southwestern Bell Telephone Co	-			14,936,010	6	0.40%
Emerald Tower Ltd	-			14,418,750	7	0.39%
Diamond Beach VP, LP	-			13,623,810	9	0.37%
Enjet Inc	-			13,248,520	10	0.36%
	230,890,650		3.8%	195,235,584		4.9%
Other taxpayers	5,891,931,749		96.2%	3,516,884,697		94.7%
Total Assessed Valuation	\$ 6,122,822,399		100.0%	\$ 3,712,120,281		99.6%

Source - Galveston County Appraisal District

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
2010	2009	\$ 0.55400	\$ 20,565,146	\$ 19,781,345	96.2%	\$ 741,405	\$ 20,522,750	99.8%
2011	2010	0.55400	22,383,722	21,632,124	96.6%	700,619	\$ 22,332,743	99.8%
2012	2011	0.55400	23,030,149	22,449,065	97.5%	529,912	\$ 22,978,977	99.8%
2013	2012	0.55400	23,714,788	23,158,923	97.7%	500,656	\$ 23,659,579	99.8%
2014	2013	0.55400	24,902,110	24,346,107	97.8%	487,850	\$ 24,833,957	99.7%
2015	2014	0.53389	25,105,697	24,593,586	98.0%	426,574	\$ 25,020,160	99.7%
2016	2015	0.52900	27,559,694	27,069,019	98.2%	383,801	\$ 27,452,820	99.6%
2017	2016	0.52600	30,107,754	29,522,107	98.1%	412,556	\$ 29,934,663	99.4%
2018	2017	0.56100	33,579,559	33,193,759	98.9%	75,703	\$ 33,269,462	99.1%
2019	2018	0.56100	34,349,034	33,644,354	97.9%	-	33,644,354	97.9%

Source: Tax department records of the City. Tax levy based on the Tax Collector Monthly Report from GCAD.

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RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

*Amounts in (000's) except per capita amounts
(Unaudited)*

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Special Obligation Bonds	Capital Leases	Certificates of Obligation	Other**
2010	\$ 18,356	\$ 32,835	\$ 606	\$ 22,691	\$ 4,079
2011	17,143	31,595	212	22,605	2,516
2012	19,032	30,290	1,654	22,516	2,854
2013	18,569	26,690	1,291	18,758	3,029
2014	16,472	25,960	882	16,900	5,192
2015	14,620	25,200	-	14,153	5,332
2016	12,565	24,390	-	9,789	7,571
2017	33,835	23,525	-	5,829	7,938
2018	31,131	22,605	-	2,874	7,612
2019	28,775	21,625	-	1,391	5,758

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 and notes payable, bond issuance discount/premiums and accretion on capital appreciation bonds.

Business-Type Activities

Revenue Bonds		General Obligation Bonds	Capital Leases	Certificates of Obligation	Other**	Total Primary Government	Percentage of Personal Income*	Percentage of Total Taxable Value of Property	Per Capita*
\$	41,765	\$ -	\$ 649	\$ 15,668	\$ 49,484	\$ 186,133	18.6%	5.0%	\$ 3,301
	39,800	-	397	15,174	43,593	173,035	15.4%	4.3%	3,624
	37,955	-	135	14,658	40,651	169,745	14.9%	4.1%	3,504
	35,755	-	-	14,116	30,767	148,975	12.6%	3.5%	3,119
	33,525	-	-	13,674	26,820	139,425	10.8%	3.1%	2,861
	28,810	-	-	13,210	25,675	127,000	9.8%	2.7%	2,560
	23,515	15,440	-	-	21,576	114,846	8.6%	2.2%	2,289
	21,910	14,466	-	33,355	21,602	162,460	11.7%	2.8%	3,214
	20,255	13,499	-	32,330	18,512	148,818	10.4%	2.5%	2,947
	18,540	11,970	-	64,580	17,323	169,962	11.3%	2.8%	3,368

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	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2010	2009	\$ 18,356	\$ 4,557	\$ 13,799	0.25%	\$ 245
2011	2010	17,143	4,611	12,532	0.20%	262
2012	2011	19,032	3,766	15,266	0.24%	315
2013	2012	18,569	5,164	13,405	0.21%	281
2014	2013	16,472	5,543	10,929	0.16%	224
2015	2014	14,620	4,270	10,350	0.15%	209
2016	2015	12,565	3,433	9,132	0.12%	182
2017	2016	33,835	3,579	30,256	0.36%	599
2018	2017	31,131	3,724	27,407	0.31%	543
2019	2018	28,775	3,811	24,964	0.28%	495

Note: The General Obligation Bonds amounts above represent only the tax supported General Obligation Debt. The General Obligation Bonds of the business-type activities are excluded as these are revenue supported debt and would artificially inflate the per capita amounts if included. 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.

**DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

September 30, 2019
(Unaudited)

Taxing Jurisdiction	Gross Debt	Overlapping	
		Estimated Percentage *	Amount
Galveston County	\$ 235,674,208	23.85%	\$ 56,208,299
Galveston Independent School District	70,084,999	85.00%	59,572,249
Galveston County Municipal Utility District #30	4,695,000	100.00%	4,695,000
Total Overlapping Debt			<u>120,475,548</u>
City Direct Debt			<u>52,178,566</u>
Total Direct and Overlapping Debt			<u>\$ 172,654,114</u>
Ratio of Direct and Overlapping Funded Debt to 2019 Taxable Assessed Valuation			<u>2.88%</u>
Per Capita Debt - Direct and Overlapping			<u>\$ 3,419</u>

Sources: Texas Municipal Advisory Council of Texas and City Finance Department

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.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population ¹	Personal Income (\$ thousands)	Per Capita Personal Income ¹	Median Age ¹	Educational Level in Years of Formal Schooling ¹	School Enrollment ²	Unemployment Rate ³	Value of Building Permits (\$ thousands) ⁴
2010	56,391	\$ 1,002,012	\$ 17,769	38.8	12.0	6,400	8.4%	\$ 125,291
2011	47,743	1,125,828	23,581	38.8	12.0	6,400	8.9%	108,628
2012	48,444	1,142,358	23,581	38.8	12.0	6,450	7.6%	108,578
2013	47,762	1,185,548	24,822	38.8	12.0	6,450	7.7%	227,128
2014	48,733	1,287,039	26,410	38.8	12.0	6,800	5.6%	173,339
2015	49,608	1,297,944	26,164	37.3	12.0	6,813	6.3%	184,223
2016	50,180	1,338,050	26,665	36.3	12.0	6,976	4.8%	131,081
2017	50,550	1,383,351	27,366	37.0	12.0	6,884	5.0%	224,606
2018	50,497	1,425,379	28,227	36.6	12.0	7,017	4.5%	123,707
2019	50,457	1,500,238	29,733	39.4	12.0	7,015	3.6%	157,480

Data Sources:

1 - United States Census Bureau and City-Data.com

2 - Galveston Independent School District

3 - United States Census Bureau and Texas Workforce

Comission

<https://texaslmi.com/LMIbyCategory/LAUS>

4 - City of Galveston

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

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago
(Unaudited)

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment (A)	Employees	Rank	Percentage of Total City Employment (A)
University of Texas Medical Branch	8,324	1	28.34%	7,900	1	29.92%
Landry's Restaurants	1,930	2	6.57%	746	7	2.83%
Galveston County (on Island only)	1,247	3	4.25%	1,210	2	4.58%
Galveston Independent School District	1,069	4	3.64%	1,044	3	3.95%
Moody Gardens	1,034	5	3.52%	783	5	2.97%
American National Insurance Company	950	6	3.23%	850	4	3.22%
City of Galveston	868	7	2.96%	748	6	2.83%
Schlitterbahn*	500	8	1.70%			0.00%
ILA (Local 20, 1665, 15048, 1443)	500	9	1.70%			0.00%
Walmart	360	10	1.23%			0.00%
Mitchell Historic Properties	335	11	1.14%			0.00%
Texas A&M University at Galveston	319	12	1.09%	329	9	1.25%
Fertitta Hospitality	-		0.00%	743	8	2.81%
Galveston College	-		0.00%	140	10	0.53%
	<u>17,436</u>		<u>59.37%</u>	<u>14,493</u>		<u>54.89%</u>

* Employment increases by 45% - almost 600 additional jobs during the summer.

Source: United States Census Bureau and Galveston Economic Development Partnership
http://www.gedp.org/Content/Major_Employers/5712

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

*Last Ten Fiscal Years
(Unaudited)*

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
City Secretary	3	3	3	3	3	3	4	4	4	4
Municipal Court	9	10	10	10	9	9	9	8	8	8
City Manager	3	5	5	4	4	4	6	6	5	3
City Auditor	-	1	1	2	2	2	2	2	2	2
Finance	18	13	13	14	15	16	19	19	18	17
Legal	5	5	5	6	6	6	6	7	7	7
Human Resources	5	4	3	3	3	3	4	5	5	5
Public Safety:										
Police	197	131	177	177	188	185	185	190	203	209
Fire	124	115	115	115	115	115	118	120	119	119
Emergency Management	1	1	1	2	2	2	2	2	2	1
City Marshal	-	-	-	-	-	-	1	1	1	1
Public Works:										
Streets and Traffic	45	31	31	36	42	42	46	43	58	61
Parks	39	34	34	33	34	34	36	39	40	42
Planning and Community Development	54	23	24	24	23	23	25	25	24	25
Waterworks	39	32	32	35	37	41	40	45	43	44
Sewer System	65	69	69	80	81	84	87	90	87	88
Drainage Utility	7	23	23	26	35	35	34	33	37	36
Municipal Golf Course	-	-	-	-	-	-	-	-	-	-
Sanitation	39	45	45	45	48	48	58	59	59	59
Municipal Airport	8	8	8	8	8	8	8	8	8	8
Central Service	10	12	12	13	14	15	16	18	24	25
Central Garage	19	22	22	22	22	22	24	22	22	22
Municipal Insurance	-	2	2	2	2	2	2	2	2	2
Construction Management	6	5	5	5	5	5	6	13	17	17
Island Transit	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>53</u>
Total	<u><u>748</u></u>	<u><u>646</u></u>	<u><u>692</u></u>	<u><u>717</u></u>	<u><u>750</u></u>	<u><u>756</u></u>	<u><u>796</u></u>	<u><u>819</u></u>	<u><u>853</u></u>	<u><u>858</u></u>

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OPERATING INDICATORS BY FUNCTION

*Last Ten Fiscal Years
(Unaudited)*

Function	Fiscal Year			
	2010	2011	2012	2013
Police:				
Physical arrests	7,043	6,593	7,065	7,597
Parking violations	4,391	11,951	27,680	9,267
Traffic violations	25,499	40,676	15,328	28,765
Fire:				
Calls	6,382	8,645	6,681	6,311
Inspections	2,123	735	1,324	407
Water:				
Service connections	26,305	23,966	21,323	20,595
Average daily consumption (gallons)	16,013,795	16,143,437	14,480,142	14,570,688
Sewer:				
Average daily flow (gallons)	8,529,000	6,694,692	7,108,791	7,854,000
Maximum daily capacity of plants (gallons)	14,580,000	14,580,000	14,580,000	14,500,000

Source: Various City Departments.

Fiscal Year					
2014	2015	2016	2017	2018	2019
6,039	6,356	6,178	5,176	4,794	4,450
25,556	12,320	15,406	18,834	19,546	22,947
22,148	20,243	20,915	16,054	16,369	18,059
7,020	7,172	7,700	7,360	7,031	6,843
1,678	1,693	2,750	1,964	1,765	1,450
23,294	19,938	21,623	21,945	22,338	22,794
14,557,447	14,509,978	14,170,071	14,092,921	11,904,677	10,616,792
7,136,000	8,826,700	9,302,558	7,420,000	7,640,699	7,792,000
17,713,000	14,550,000	14,550,000	14,874,000	14,874,000	14,874,000

CAPITAL ASSETS STATISTICS BY FUNCTION*Last Ten Fiscal Years
(Unaudited)*

Function	Fiscal Year			
	2010	2011	2012	2013
Police:				
Stations	3	4	1	2
Patrol Units	51	67	55	60
Police officers	158	131	139	143
Fire:				
Stations	6	6	6	6
Fire fighters	112	115	108	115
Highways and streets:				
Streets (miles)	321	321	321	321
Street lights	4,257	4,444	4,365	4,377
Culture and recreation:				
Parks acreage	50	50	50	168
Parks	14	14	14	14
Tennis courts	15	16	16	16
Community centers	2	2	2	2
Cemeteries	5	2	2	7
Athletic fields	22	11	11	12
Swimming pools	-	-	-	-
Water:				
Water mains (miles)	386	388	389	389
Fire hydrants	2,414	2,422	2,422	2,422
Maximum daily capacity (thousands of gallons)	33,000,000	33,000,000	37,150,000	39,700,000
Sewer:				
Treatment plants	4	4	4	4
Sanitary sewers (miles)	243	243	243	243
Storm sewers (miles)	75	75	75	75
Maximum daily treatment capacity (thousands of gallons)	8,529,000	14,580,000	14,580,000	14,250,000

Source: Various City Departments.

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

Fiscal Year						
2014	2015	2016	2017	2018	2019	
1	1	1	1	1	1	1
74	78	65	68	62	52	
143	140	136	132	148	146	
6	6	6	6	6	6	
109	109	112	112	112	115	
321	321	324	324	324	324	
4,411	4,417	4,405	4,405	4,541	4,583	
168	168	168	168	751	751	
14	14	13	13	17	17	
16	16	16	16	16	16	
2	2	2	2	2	2	
7	7	6	6	6	6	
12	12	11	11	24	24	
-	-	-	1	1	1	
389	389	391	391	395	400	
2,552	2,555	2,555	2,555	2,585	2,696	
39,700,000	36,500,000	21,500,000	21,500,000	21,500,000	37,100,000	
4	4	4	4	4	4	
243	243	244	244	246	246	
75	75	75	75	57	62	
14,250,000	14,750,000	14,874,000	14,874,000	14,874,000	14,874,000	