
Comprehensive Annual Financial Report

For Fiscal Year Ended
September 30, 2017



**CITY OF GALVESTON,
TEXAS**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2017**

**Prepared by:
Finance Department**

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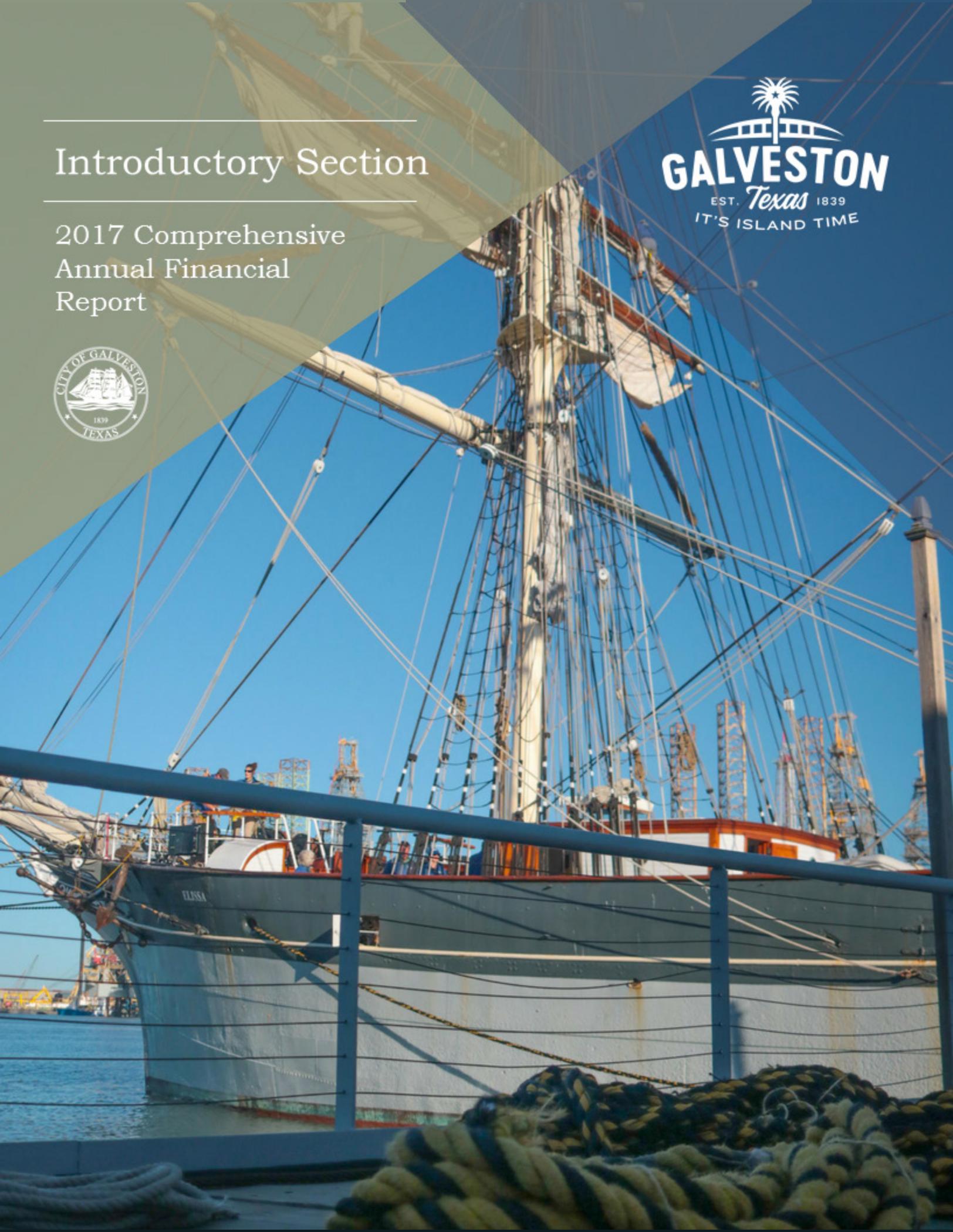
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Introductory Section

2017 Comprehensive Annual Financial Report



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Comprehensive Annual Financial Report For the Fiscal Year Ending September 30, 2017 Letter of Transmittal

March 29, 2018

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, 2017.

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, 2017, 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, 2017 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. For FY 2015 and prior years, all departments of the City were required to submit requests for appropriation to the City's manager around the middle of June each year. The city manager used these requests as the starting point for developing a proposed budget. The budget process for FY 2016, FY 2017, and now FY 2018 started 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.

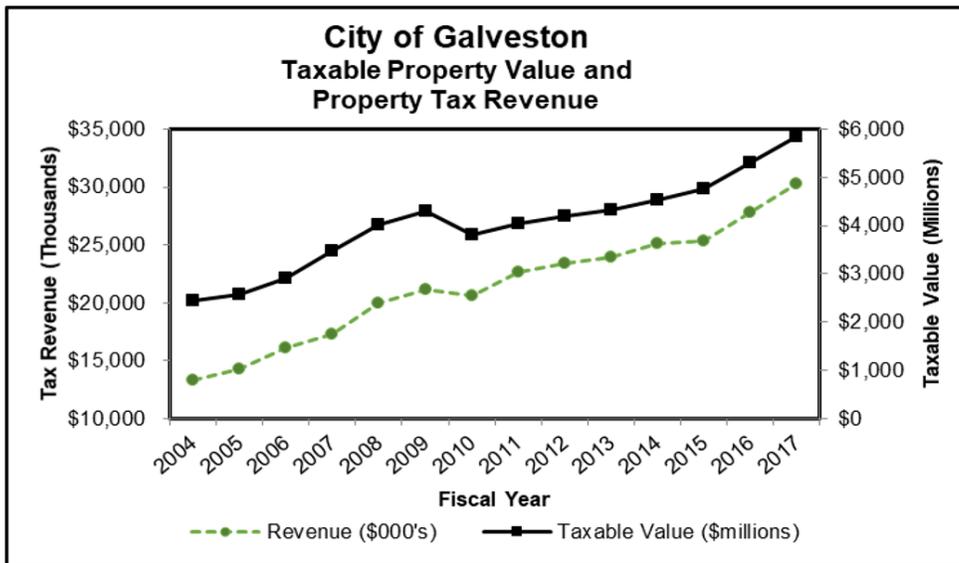
The appropriated budget is prepared for every operating and capital fund, function (e.g., public safety), and department (e.g., police). The city manager may make transfers of appropriations within a department and fund without prior approval by City Council. Transfers of appropriations within a fund 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 (page 89), Debt Service Fund, Island Transit special fund and Rosenberg Library special fund. Budget-to-actual comparisons are also presented for the Waterworks System, Sewer System, Sanitation Services, Drainage Utility and Airport enterprise funds.

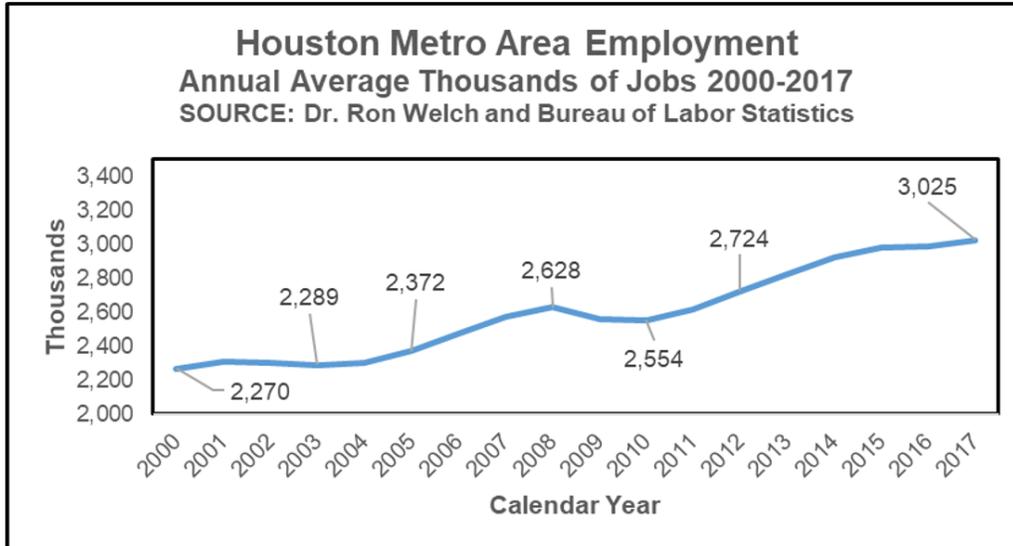
Economic Climate

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.

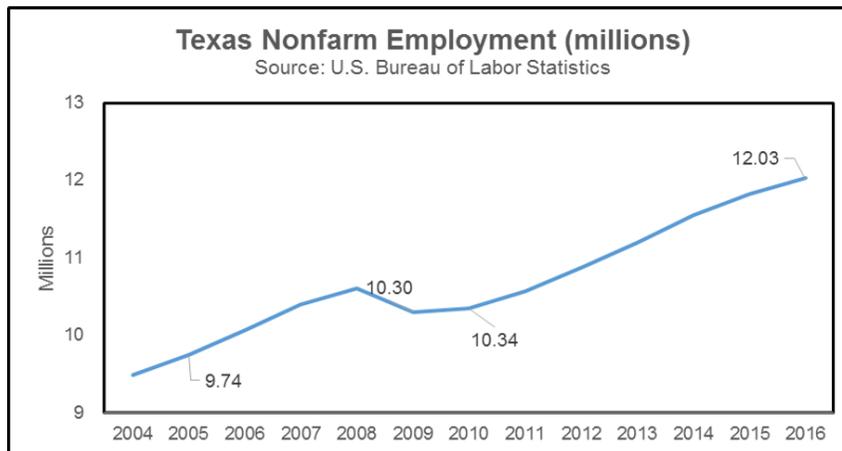
The City’s long-term growth rate was interrupted in a significant way by the simultaneous arrival of Hurricane Ike and the Great Recession in 2008. In the five years immediately prior to Hurricane Ike, which made landfall on September 13, 2008, the City’s economy expanded with total taxable value of 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 Ike that dropped taxable values to \$3.8 billion, it took four years for taxable property value to return to its pre-2008 level. Taxable value dropped 12 percent from 2007 to 2008, 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 \$5.85 billion in FY 2017 (Source: Galveston County Appraisal District). The effective rate of increase in the city’s taxable value from FY 2007 through FY 2017, was 3.9 percent.



In the same period, 2004-2016, the Houston metropolitan area economy, of which Galveston was 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 2.3 million in 2004 to 2.6 million in 2008 before the Great Recession. Employment returned to its pre-recession level in 2012, and continued to grow through 2014. The energy price downturn caused regional employment to flatten its trend in 2015 and 2016, returning to modest growth in 2017.

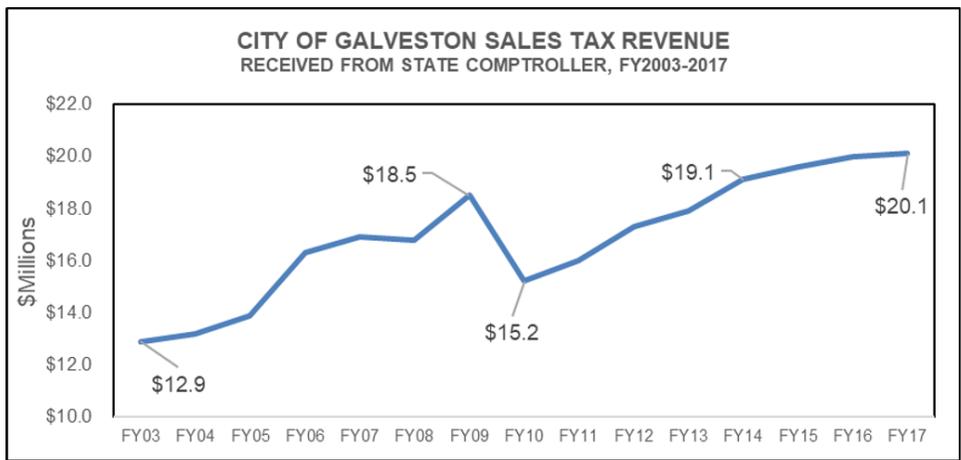


Statewide employment followed the same pattern as the region since 2004. Since the Great Recession of 2008-2009, Texas' nonfarm employment has grown by two million jobs. A healthy and growing metropolitan and state economy leads to a healthy local economy and increasing revenues for the City of Galveston.



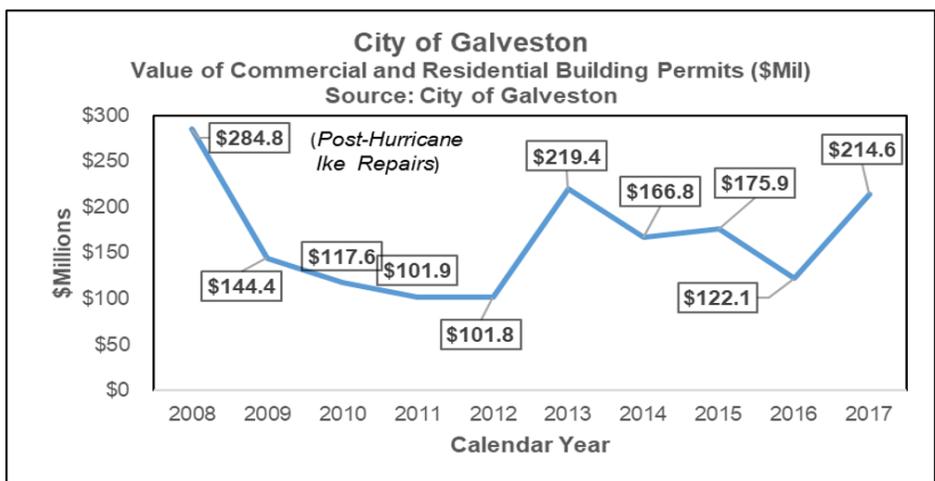
Galveston is the top recreation center for the region as evidenced by its sales tax revenue performance since FY 2003. The city's two percent sales tax rate includes 1.5 percent of sales that goes to the city's General Fund to support public safety and transportation functions, while the remaining one-half percent goes to economic development, including equal 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 \$18.5 million in FY 2008.

FY 2009 sales tax receipts totaled \$18.5 million, showing net growth over the pre-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. Sales tax receipts have grown since the FY 2010 low at a 4.1 percent average annual growth rate rebounded strongly to \$20 million in FY 2017. This strong rebound is attributed to steady growth in the island's population and in its vibrant tourism sector.

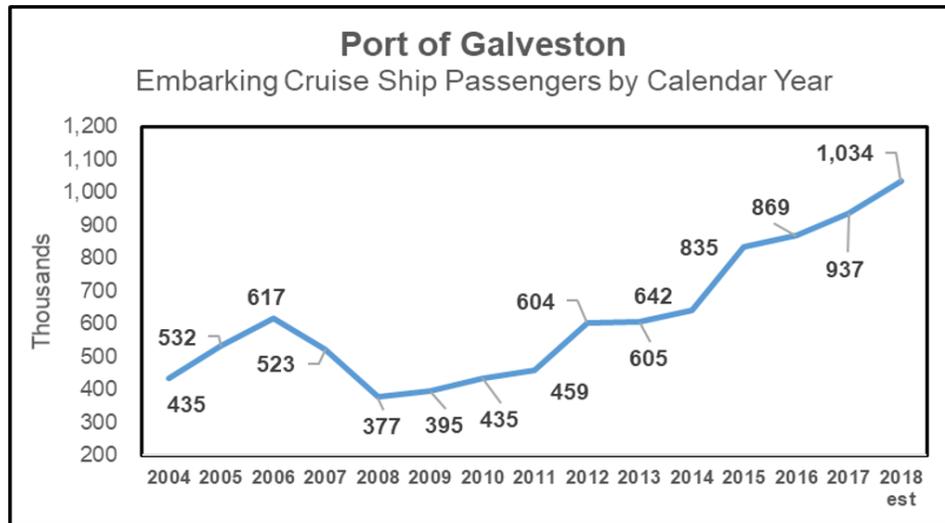


Galveston continues to have a lower cost of living than the nation in spite of its growing economy. According to the U.S. Department of Labor Statistics, the Consumer Price Index-Urban (CPI-U) for the U.S. as a whole was 249 in February 2018. The CPI-U For the metropolitan area including Galveston was 224.7 for the same period. By this measure, Galveston's cost of living is approximately 10.8 percent less than the nation as a whole.

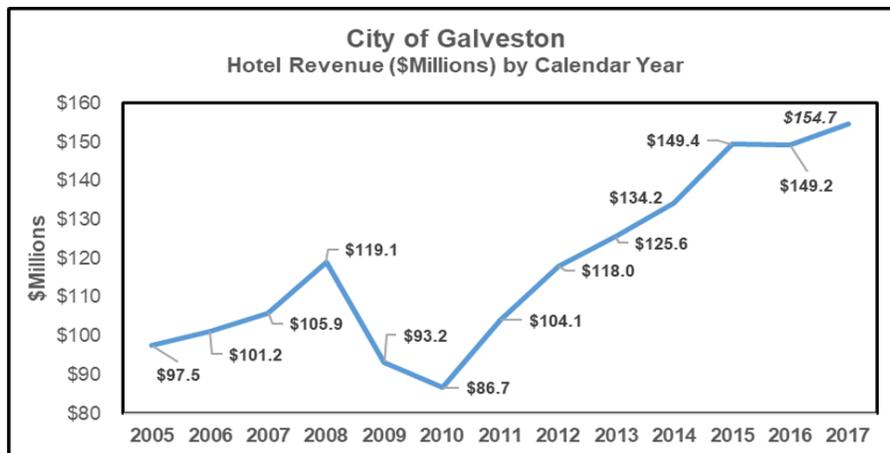
Construction activity in Galveston is continuing at a steady pace after the value of building permits in the immediate aftermath of Hurricane Ike peaked in 2008 at \$284.8 million. While the trend has been downward since 2013 in the value of commercial and residential building permits, 2017 produced a \$214.6 million total, largely due to \$142.2 million in new commercial permits.



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. 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 937,000 cruise passengers in 2017, with currently scheduled departures for 2018 expected to total 1,034,000 for the year.



The City 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 Historical 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. Like other local and regional indicators, hotel revenue was set back by Hurricane Ike but has rebounded strongly.



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, and the Annual Budget. Quarterly Budget Status Reports provide year-end projections of revenue and expenses for all budgeted funds as well as capital project status reports and capital fund reconciliations. Long term revenue analysis includes trends of ten years or more, as shown in the previous section, to identify the effect of variations in the business cycle. Statistical modeling is used to identify the prior effects of significant changes in economic, climate and other factors. These long-term financial planning efforts were used in the FY 2017 Budget cycle and are in continued use by decision makers in order to formulate fiscally responsible annual budgets and fully financed capital plans. 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 \$17.56 million, representing approximately 122.5 days of maintenance and operating expenditures. Only 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 2017, the City secured the renewal and expansion of its emergency bridge loan for \$50 million to be used in the event of a major catastrophic emergency. The loan will be available to support federally eligible costs associated with any large emergency including a tropical storm or hurricane.

The City Charter charges the Finance Director with the responsibility to “administer all the financial affairs of the City other than the assessment and collection of taxes. The Director of Finance shall be responsible for the receipt, disbursement and safe-keeping of all City funds, establish 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.)

The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity 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 an Investments Committee 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 Committee 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.

During FY 2017, and in accordance with state law and the City Charter, the City conducted its first “new money” bond sales since 2008. The first sale was conducted in January by issuing \$35 million in tax and revenue supported certificates of obligation that are being allocated for water and sewer projects. In May 2017, the voters authorized the issuance of \$62 million in general obligation bonds for streets and drainage projects. With this authorization, in June 2017, the City conducted its second “new money” bond sale in ten years for \$25 million in General Obligation bonds for street and drainage projects. The \$37 million balance of the bonds authorized by the voters will be issued as needed for specific street and drainage projects over the next several fiscal years.

A ladder investment approach is being used to invest the City’s cash on hand in investment pools, federal agencies and treasuries. This approach is taking maximum advantage of rising interest rates by scheduling maturities based on specific project implementations schedules as well as the five year Capital Improvement Plan (CIP). The CIP is adopted by council annually, and each project’s status is monitored and reported monthly and quarterly through the city’s webpage.

In January, Fitch upgraded its rating for the City’s general obligation debt rating to ‘AA’ from ‘AA-’ in order to reflect “the city’s continuing strong operating performance, solid expenditure flexibility, and moderate long-term liability burden.” The rating continued, “Fitch expects Galveston to demonstrate strong financial resilience during a moderate economic downturn based on its strong independent revenue-raising capacity, solid expenditure controls and healthy reserve position.”

Major initiatives

In May, 2017, the voters approved \$62 million in bonds for a specific list of street and drainage projects. The emphasis now is on completing those projects within five years. Water and sewer infrastructure projects will continue to be implemented with the fully-financed CIP as the basis for that effort. During FY 2017, the City continued winding down its Hurricane Ike recovery projects, making major infrastructure improvements with local funds, Community Development Block Grant (CDBG) and Hurricane Ike disaster funding. Projects were placed in service that cost a total of \$39.2 million over their individual project lives.

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.

A priority emphasis continues to bring financial stability to the city’s three employee pension systems. The implementation of GASB 68 helped to sharpen the city’s focus on the problem of what is now \$68.3 million in unfunded pension liabilities as of September 30, 2017. The City’s non-

civil service employees' plan is stable with its 2016 actuarial study showing a 13.4 year amortization period for its unfunded accrued actuarial liability. The emphasis is now to stabilize the fire and police retirement systems by reducing the amortization period for their unfunded actuarial liability to the 25 year range. Recently, the firefighters, the Firefighters' Pension Board and city council agreed to increase contributions by three percent from the City and two percent by the firefighters, to forgo cost of living pension adjustments for future retirees, and transfer \$1 million from the City's Pension Reform Special Fund to the Firefighters' pension fund. These changes reduced the 2016 actuarial projection that the Firefighters' fund's unfunded liability would never amortize to 25.3 years.

We are now focusing on a similar solution for the police pension plan, beginning by increasing the city's contribution to police pensions by two percent. We will work in the coming months with the police pension actuary and the city's actuary to identify contribution and plan change alternatives that can reduce the amortization period for the police fund's liability to the desired level. 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.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Galveston for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended September 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government reports.

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

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

The preparation of this report is a joint effort of various departments and offices of the City. The City's Finance Department coordinates the compilation and prepares the final report along with the City's independent auditor, Whitley Penn, LLP. For the first time, the city assumed the lead role in preparing the financial statements and related notes. The successful and timely preparation of this report depends on the cooperation of all these groups and upon the diligence and dedication of the entire staff of the Finance Department.

We would like to express our appreciation to all the City's Finance Department staff who assisted and contributed to the preparation of this report. Other City departments and offices make a significant contribution to the preparation of this report as well. We acknowledge their efforts in

providing information and assistance during the preparation of this report. Finally, we acknowledge the Mayor and Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

Respectfully submitted,



City Manager



Assistant City Manager for Finance

CITY OF GALVESTON, TEXAS
PRINCIPAL OFFICIALS



Mayor
Jim Yarbrough

District 1



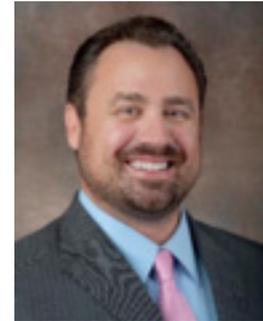
Amy Bly

District 2



Craig Brown

District 3



Frank Maceo

District 4



Mike Doherty

District 5



Terrilyn Tarlton - Mayor Pro Tem

District 6



Carolyn Sunseri

City of Galveston, Texas

Incorporated March 1939

Charter Adopted April 19, 1960

Council – Manager Form of Government

City Council Appointees

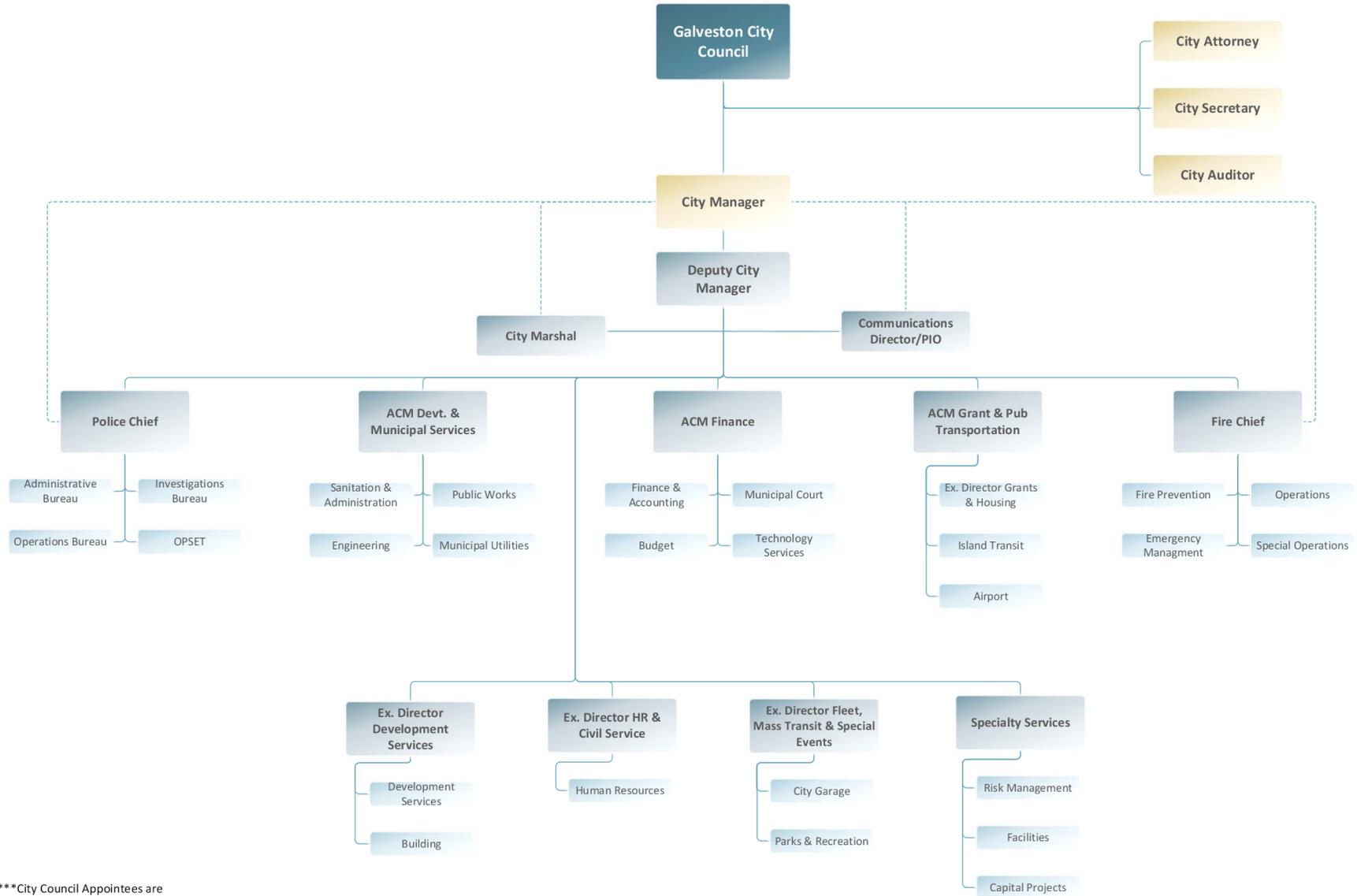
City Manager	Brian Maxwell
City Secretary	Janelle Williams
City Attorney	Donald Glywasky
Court Judge	Jim Schweitzer
City Auditor	Glenn Bulgherini

Departmental Directors

(City Manager Appointees)

Deputy City Manager	Dan Buckley
Assistant City Manager Finance	Michael Loftin
Assistant City Manager Grants & Public Transportation	Richard Beverlin
Assistant City Manager Development & Municipal Services	Brandon Cook
Police Chief	Vernon Hale
Fire Chief	Michael Wisko
City Marshal	Michael Gray
Executive Director of Development Services	Timothy Tietjens
Executive Director of Fleet, Mass Transit, & Special Events	David Smith
Executive Director of Grants and Housing	Sterling Patrick
Executive Director of Human Resources and Civil Service	Kent Etienne
Chief Information and Technology Officer	Hope Dean
City Engineer	Daniel Christodoss
Director of Capital Projects	Ross Blackketter
Director of Administration and Sanitation	Cindy DeWitt
Director of Airport	Michael Shahan
Director of Municipal Utilities	Angelo Grasso
Director of Parks and Recreation	Barbara Sanderson
Director of Public Works	Kyle Hockersmith
Communications Director/PIO	Jaree Hefner
Emergency Management Coordinator	Niki Bender
Public Transportation General Manager	Michael Worthy
Municipal Court Clerk	Gladys Lopez
Facilities Director	Charles Kenworthy
Risk Manager	Robert Simmons

City of Galveston Organizational Chart



***City Council Appointees are shown in the following color (City Manager, City Attorney, City Auditor, City Secretary)



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Galveston
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

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Financial Section

2017 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, 2017 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Board of Trustees of the City of Galveston (the “Park Board”), which represent 63 percent, 6 percent, and 45 percent, respectively, of the assets, liabilities, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Galveston Island Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended.

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, required pension system supplementary information and other post-employment benefits supplementary information on pages 81 through 86 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 budgetary schedules 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules 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 29, 2018, 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 29, 2018

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, 2017.

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 \$426.4 million (net position) of which \$3.2 million is an *unrestricted net* deficit.
- Total assets increased \$75.8 million over the prior year primarily as the result of two bond sales totalling \$60.0 million in new capital project funding and continued investment in capital assets that increased capital asset values by \$19.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$89.9 million, an increase of \$21.4 million over the prior year (see the "Balance Sheet for Governmental Funds."). The major reason for the increase is the sale of \$25 million of tax supported bonds as described in Note 8.
- Included in the \$89.9 million Governmental Funds balance is \$60.0 million restricted to specific uses by state or federal law, or by vote of Galveston residents. The aforementioned bond proceeds are a part of this restricted balances total. This fund balance total also includes \$12.0 million, the equivalent of ninety days of General Fund operating cost assigned by prior city council action for use in emergencies. The unassigned fund balance of \$5.7 million in General fund balance is available for spending at the government's discretion.
- The City's total liabilities increased by a net amount of \$47.0 million which is comprised of increases in long-term liabilities of \$48.7 million and net position of \$486,000, partially offset by reduction in other liabilities of \$2.2 million. This is directly attributable to the future debt payable as a result of the two bond sales mentioned above that took place in FY 2017 totalling \$60.0 million. See Note 8 for details regarding the bond sales.

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 consist of the following:

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

The government-wide financial statements can be found on pages 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 87 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, CDBG Disaster Fund Non-Housing, and General Obligation Bonds 2017 Capital Projects funds, all of which are considered to be major governmental funds. Data from the other 84 governmental funds are combined into a single, aggregated presentation; including 14 CDBG annual entitlement allocation funds and 14 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* elsewhere in the comprehensive annual financial 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 Waterworks System and Sewer System are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 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 81 through 86 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 \$426.4 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, 2017 was \$426.4 million, \$26.3 million increase over prior fiscal year.

Total Assets were \$688.6 million at the end of the current fiscal year, a \$75.8 million increase over prior fiscal year. This is attributable to the continued investment in the City's capital assets, including substantial amounts of contributions from grants as in prior years. Current and other assets increased \$55.9 million over the prior fiscal year, largely due to the proceeds from two bond sales that provided the first "new money" from local financing capacity for capital projects since 2008. Current assets for Governmental Activities increased by \$17.3 million, largely the result of the \$25 million bond sale for street and drainage projects in June, 2017.

Likewise, the Current and other assets for Business-Type Activities increased by \$38.7 million, largely the result of the \$35 million sale of certificates of obligation for water and sanitary sewer projects (see Note 8). Similar increases can be seen in long-term liabilities, with an increase of \$21.2 million for Governmental Activities and \$27.5 million for Business-Type Activities.

By far the largest portion of the City's net position, 80.6 percent or \$343.7 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, 2017. 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 Unfunded Actuarial Accrued Liability (UAAL) for the City's three pension funds remained stable at \$68.3 million in the current fiscal year compared with \$67.8 million for the prior fiscal year. This was largely due to improved investment performance in the current fiscal year.

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2017 and 2016

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016*	2017	2016*	2017	2016*
Current and other assets	\$ 124,703	\$ 107,444	\$ 81,737	\$ 43,059	\$ 206,440	\$ 150,503
Capital assets	189,973	175,526	292,193	286,791	482,166	462,317
Total Assets	<u>314,676</u>	<u>282,970</u>	<u>373,930</u>	<u>329,850</u>	<u>688,606</u>	<u>612,820</u>
Total Deferred Outflows of Resources	<u>13,085</u>	<u>14,377</u>	<u>3,845</u>	<u>2,536</u>	<u>16,930</u>	<u>16,913</u>
Other liabilities	20,919	23,382	6,423	6,128	27,342	29,510
Long-term liabilities	85,960	64,803	92,667	65,141	178,627	129,944
Net pension liability	61,840	61,363	6,434	6,425	68,274	67,788
Total Liabilities	<u>168,719</u>	<u>149,548</u>	<u>105,524</u>	<u>77,694</u>	<u>274,243</u>	<u>227,242</u>
Total Deferred Inflows of Resources	<u>4,135</u>	<u>2,613</u>	<u>715</u>	<u>326</u>	<u>4,850</u>	<u>2,939</u>
Net Position (Deficit)						
Net investment in capital assets	143,928	131,335	199,744	193,491	343,672	324,826
Restricted	34,360	32,732	51,635	15,706	85,995	48,438
Unrestricted	(23,380)	(18,881)	20,156	45,169	(3,224)	26,288
Total Net Position (Deficit)	<u>\$ 154,908</u>	<u>\$ 145,186</u>	<u>\$ 271,535</u>	<u>\$ 254,366</u>	<u>\$ 426,443</u>	<u>\$ 399,552</u>

* Comparative balances for fiscal year 2016 have been restated for a change in allocation of debt and prior period adjustments relating to receivables balances, as described in Note 15 to the financial statements.

An additional portion of the City's net position, 20.2 percent or \$86.0 million, represents resources that are restricted by external authorities and requirements on how they may be used. The total unrestricted net deficit of \$3.2 million, is comprised of \$23.4 million unrestricted net deficit in governmental activity balance, partially offset by \$20.2 million unrestricted net position of business-type activities. The governmental activity deficit includes the reporting of \$61.8 million in net pension liabilities attributable to governmental activities.

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

For the Years Ended September 30, 2017 and 2016

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016*	2017	2016*	2017	2016*
Revenues						
Program revenues:						
Charges for services	\$ 7,641	\$ 7,540	\$ 46,483	\$ 44,936	\$ 54,124	\$ 52,476
Operating grants and contributions	19,058	12,899	251	43	19,309	12,942
Capital grants and contributions	14,942	25,634	3,309	1,972	18,251	27,606
General revenues:						
Property taxes	28,509	25,963	-	-	28,509	25,963
Sales tax	21,143	20,956	-	-	21,143	20,956
Hotel occupancy taxes	11,731	11,782	-	-	11,731	11,782
Franchise taxes	5,563	5,386	-	-	5,563	5,386
Payments in lieu of taxes	289	268	-	-	289	268
Other	2,143	3,529	743	155	2,886	3,684
Total Revenues	<u>111,019</u>	<u>113,957</u>	<u>50,786</u>	<u>47,106</u>	<u>161,805</u>	<u>161,063</u>
Expenses						
General government	13,984	9,883	-	-	13,984	9,883
Public safety	34,793	31,839	-	-	34,793	31,839
Public works	7,729	6,383	-	-	7,729	6,383
Culture and recreation	18,754	18,416	-	-	18,754	18,416
Planning and community development	10,067	4,732	-	-	10,067	4,732
Transportation system	5,705	6,013	-	-	5,705	6,013
Interest on long-term debt	1,620	2,660	-	-	1,620	2,660
Waterworks system	-	-	17,384	15,256	17,384	15,256
Sewer system	-	-	14,888	14,141	14,888	14,141
Sanitation services	-	-	5,739	5,756	5,739	5,756
Drainage utility	-	-	2,979	2,949	2,979	2,949
Airport	-	-	1,887	1,774	1,887	1,774
Total Expenses	<u>92,652</u>	<u>79,926</u>	<u>42,877</u>	<u>39,876</u>	<u>135,529</u>	<u>119,802</u>
Increase (decrease) in net position before transfers	18,367	34,031	7,909	7,230	26,276	41,261
Transfers	<u>(9,260)</u>	<u>(29,007)</u>	<u>9,260</u>	<u>29,007</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	9,107	5,024	17,169	36,237	26,276	41,261
Net position - beginning	<u>127,172</u>	<u>149,740</u>	<u>272,047</u>	<u>220,119</u>	<u>399,219</u>	<u>369,859</u>
Prior period adjustments	18,629	(9,578)	(17,681)	(1,990)	948	(11,568)
Net position - ending	<u>\$ 154,908</u>	<u>\$ 145,186</u>	<u>\$ 271,535</u>	<u>\$ 254,366</u>	<u>\$ 426,443</u>	<u>\$ 399,552</u>

* Comparative balances for fiscal year 2016 have been restated for a change in allocation of debt and prior period adjustments related to receivable balances, as described in Note 15 to the financial statements.

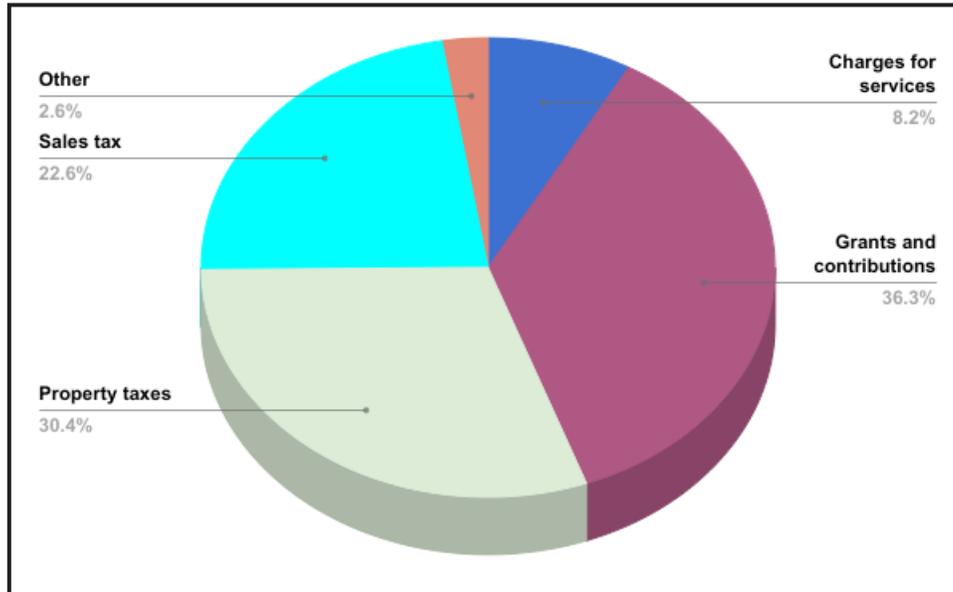
Governmental Activities

Governmental activities increased the City's net position by \$9.1 million. Key elements of this increase are as follows:

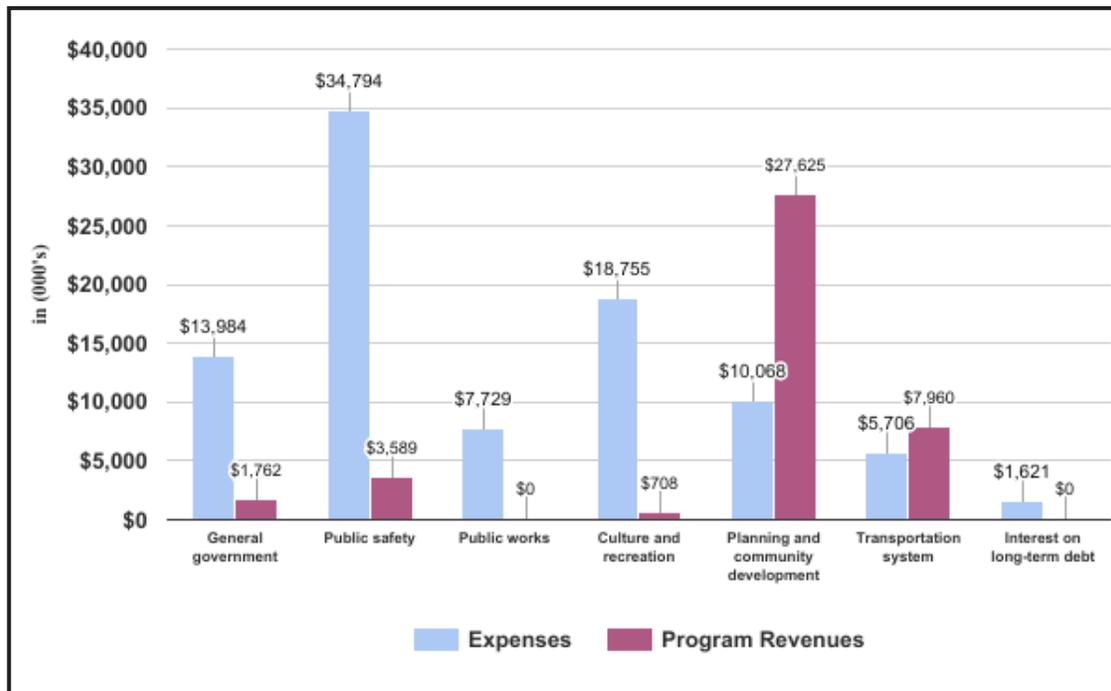
- An decrease in capital grants and contributions of \$10.7 million from \$25.6 million to \$14.9 million and a corresponding increase in operating grants and contributions of \$6.2 million.
- Of the capital grants and contributions noted above, \$2.98 million is presented as being transferred out of Governmental Activities and into Business-Type Activities where it was invested in capital assets.
- Virtually all of the \$14.9 million in capital grants and contributions shown in Governmental Activities revenue is being invested in the City's infrastructure.
- The net position of Governmental Activities includes a \$61.8 million pension funds' liability. This total includes all of the fire and police pension funds' liabilities and a proportional share of the municipal employees' pension fund liability for governmental activities.

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

Revenues by Source - Governmental Activities (\$93.7 million)



Governmental Program Expenses and Revenues Chart

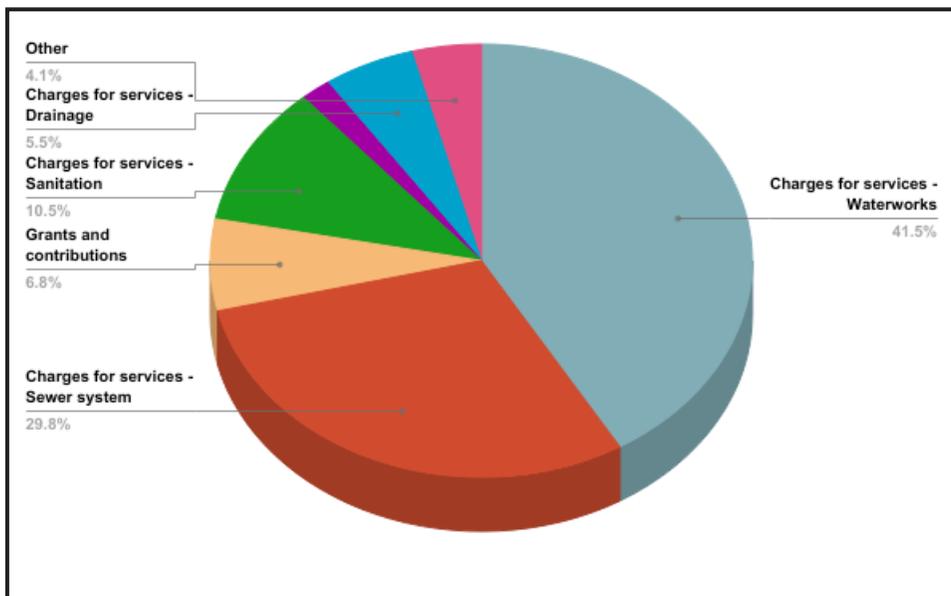


Business-type Activities

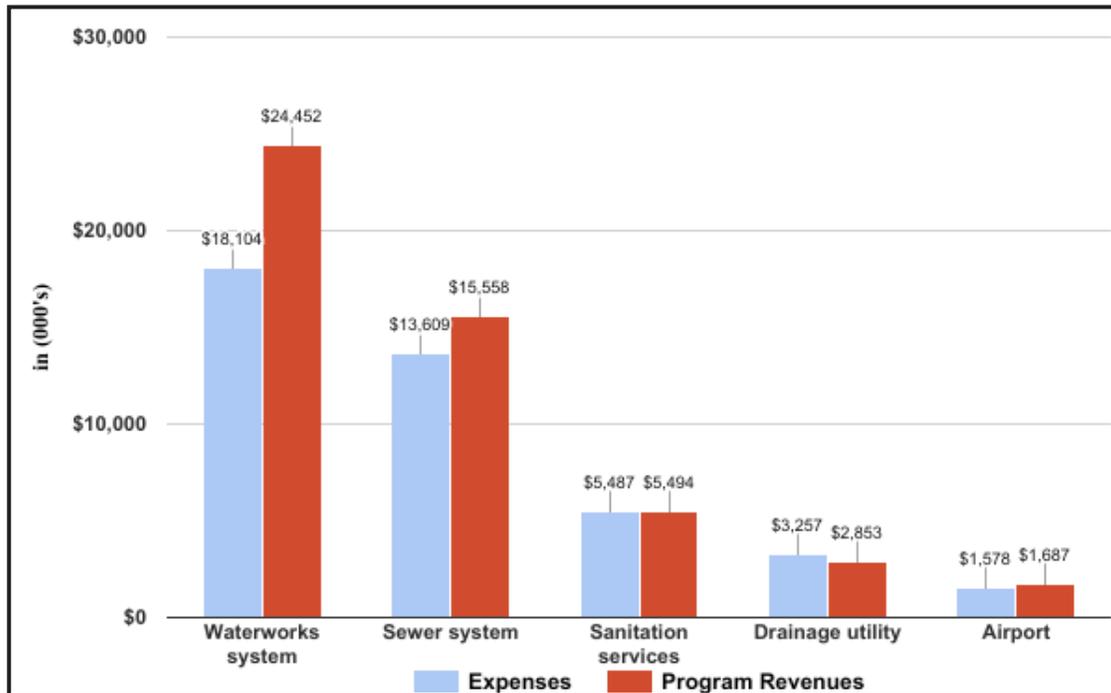
Business-type activities increased the City’s net position by \$17.2 million. Highlights for individual enterprise funds are as follows.

- The Waterworks Enterprise Fund saw revenue of \$21.6 million collected as compared with the \$21.3 million budget estimate. Payments to the Gulf Coast Water Authority for surface water, with final adjustments, totalled \$11.2 million, just less than the \$11.3 million budget. Considering investments in capital from current charges for service and debt service payments on new water project certificates of obligation in FY 2017, the Waterworks Fund’s net position ended the year \$0.4 million lower on a budgetary basis..
- The City placed the new wastewater treatment plant in operation in the Summer of 2016. In spite of the anticipated increase in corresponding expenses from the new plant, overall operating expenses dropped \$1.5 million from last year. Considering investments in capital from current charges for service and debt service payments on new water project certificates of obligation in FY 2017, the Sewer System Fund’s net position ended the year \$\$1.8 million higher on a budgetary basis..
- The Sanitation Services Fund maintained its net position on a budgetary basis including investment in equipment replacements.
- The Drainage Utility Fund gained \$0.5 million in its net position as capital expenditures were restrained in FY 2017 in order to rebuild the internal cash funded improvements fund.
- The Airport Enterprise Fund maintained its net position in FY 2017, including revenue of approximately \$935,000 as compared with \$1.02 million in the prior year.

Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



Financial Analysis of the City's Funds

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

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

The General Fund balance includes \$12.0 million, or ninety days of operating expenses assigned to be used for unforeseen emergencies and for one-time expenditures as approved by City Council. The City also maintains a \$50 million emergency bridge loan 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 authorized by the voters in May 2017 and the annual Capital Improvement Plan (CIP) will continue to function together. The complete bond program for streets and drainage projects will require five years to complete, and the \$25 million 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 Waterworks fund has unrestricted net position

at fiscal year end of \$6.5 million. Held in reserve is \$1.2 million for average annual future revenue supported debt service payments. Likewise, the Sewer System fund has approximately \$6.5 million in unrestricted net position with \$2.1 million held in reserve for average annual revenue supported debt service payments.

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

General Fund Budgetary Highlights

The General Fund expenditures budget was amended three times in fiscal year 2017 based upon quarterly reports that included year-end projections of revenue and expenditures. These amendments were approved by City Council in ordinance form as proposed and recommended by the City Manager. Each amendment was for municipal purposes as allowed by Section 102.010 of the Texas Local Government Code. The City Charter authorizes the City Manager to transfer budget amounts within a department's total budget as adopted or amended by City Council. A separate schedule is provided on page 81 that demonstrates compliance with this requirement.

Total actual revenues of \$50.94 million were lower than budget by \$473,000. The budget underrun is comprised of license and permit revenue (\$267,000), fines and forfeiture revenue (\$267,000), sales tax (\$253,000), intergovernmental revenue (\$188,000), and charges for services (\$30,000) with a total budget underrun of \$1,005,000. The budget underrun is offset by revenues in excess of budget of \$343,000, which is comprised of franchise and other taxes (\$226,000), property taxes (\$52,000), other revenue (\$46,000) and investment earnings (\$19,000).

The General Fund balance ended the year at \$17.8 million, \$2.9 million lower than the prior year. This was largely because of the planned one-time transfer of \$2.3 million from General Fund to a Pension Reform Special Fund. These funds were recovered in FY 2016 from the dissolution of Tax Increment Revitalization Zone Number Eleven and set aside by the City Council in the FY 2017 Budget to be transferred in this manner. Also, Hurricane Harvey, which made landfall in August 2017, reduced revenue by approximately \$300,000, including an estimated \$250,000 in sales tax income. Storm related expenses included overtime costs totalling \$150,000 in the Police, Fire and Public Works departments.

A second major transfer from General Fund will continue annually according to the City Charter. The transfer to the Infrastructure Fund, equal this year to five percent of operating expenses, totalled \$2.6 million. This amount will continue to increase and will be budgeted from current revenue as it was in FY 2017.

Budgeted expenditures included a \$3.74 million city council contingency, reported as a part of General Government. The City never intends to spend these funds except with City Council approval in the event of an emergency. This contingency is budgeted by City Council and allocated through the budget amendment process throughout the fiscal year. The contingency is typically allocated based on the receipt of previously unbudgeted revenues. Also, the contingency may be reduced to offset adjustments to other budgeted funds (e.g. special and enterprise funds) that are necessary to ensure the total city budget stays within the seven percent increase over the prior year as prescribed by Article VII Section 19 of the city charter.

Management monitored spending throughout the fiscal year, proposing adjustments to individual departments' budgets based on spending patterns and policy priorities. General Government departments underan original budgets, and those funds were transferred with City Council approval to the public safety departments. Adjusting for the City Council contingency, and the planned transfer to the Infrastructure and Debt Service Fund, current expenditures were budgeted at \$51.4 million, equal to the budget for current revenue.

Capital Assets and Debt Administration

At the end of fiscal year 2017, the City's governmental activities and business-type activities had invested \$190.0 million and \$292.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$14.4 million or 8.2 percent over the end of last fiscal year for governmental activities and a change of \$5.4 million or 1.9 percent for business-type activities. As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Amounts in (000's)	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 20,450	\$ 20,013	\$ 2,489	\$ 2,489	\$ 22,939	\$ 22,502
Construction in progress	24,865	31,922	26,813	19,270	51,678	51,192
Infrastructure	90,890	65,850	117,461	114,774	208,351	180,624
Building and Improvements	40,238	45,295	125,918	128,642	166,156	173,937
Contractual water rights	-	-	11,703	13,001	11,703	13,001
Equipment and furniture	13,530	12,446	7,809	8,615	21,339	21,061
Total Capital Assets	<u>\$ 189,973</u>	<u>\$ 175,526</u>	<u>\$ 292,193</u>	<u>\$ 286,791</u>	<u>\$ 482,166</u>	<u>\$ 462,317</u>

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

Construction in progress continued at the \$51.7 million level, comparable with the prior year, with projects plans approved for appropriations in the adopted capital budget for FY 2017 of \$79.1 million. The most significant change in capital assets was recorded in the \$18.6 million increase for governmental activities infrastructure. This is attributable to the completion of several major street and drainage projects, including the following major projects:

- 43rd Street from Broadway to Avenue U (\$8.5 million)
- 41st Street from Avenue L to the Seawall (\$1.4 million)
- 69th Street from Stewart Road to Seawall (\$2.2 million)
- Repair and replacement of drainage outfalls on Harborside Drive (\$1.2 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 \$162.5 million. This total included \$11.7 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.

Amounts in (000's)	Governmental Activities		Business-Type Activities		Totals	
	2017	2016 *	2017	2016 *	2017	2016 *
General obligation bonds	\$ 33,834	\$ 12,565	\$ 14,466	\$ 15,440	\$ 48,300	\$ 28,005
Special obligation bonds	23,525	24,390	-	-	23,525	24,390
Contracts payable	-	-	14,350	18,017	14,350	18,017
Revenue bonds	-	-	21,910	23,515	21,910	23,515
Certificates of obligation	5,829	8,759	33,355	1,029	39,184	9,788
Accreted interest	2,838	2,556	-	-	2,838	2,556
Notes payable	621	730	-	-	621	730
Discount and premiums	4,481	2,098	7,253	5,747	11,734	7,845
	<u>\$ 71,128</u>	<u>\$ 51,098</u>	<u>\$ 91,334</u>	<u>\$ 63,748</u>	<u>\$ 162,462</u>	<u>\$ 114,846</u>

* Beginning balances for fiscal year 2016 have been restated for a change in allocation of debt as described in Note 15 to the financial statements.

During FY 2017, the City increased its long-term debt by approximately \$56 million, due to the issuance of Series 2017 general obligation and certificates of obligation bonds. Debt service is being paid on the city's outstanding bonds as shown below. Annual principal and interest payments are budgeted based on the projects actually provided with each respective bond sale.

<i>Amounts in (000's)</i>	Property Tax Supported	Water Revenue Supported	Sewer Revenue Supported	Central Services Revenue Supported	Wharves Board Revenue Supported	Hotel Occupancy Tax Revenue Supported	Total
Property-Tax Supported Debt							
General Obligation Bonds	\$ 31,373	\$ 7,277	\$ 7,189	\$ 2,461	\$ -	\$ -	\$ 48,300
Certificates of Obligation	-	17,990	15,365	115	5,714	-	39,184
Subtotal	31,373	25,267	22,554	2,576	5,714	-	87,484
Special Obligation Bonds	-	-	-	-	-	23,525	23,525
Revenue bonds	-	9,217	12,693	-	-	-	21,910
Contracts Payable	-	14,350	-	-	-	-	14,350
Accreted Interest	-	-	-	-	2,838	-	2,838
Notes Payable	-	-	-	621	-	-	621
Total Principal Payments	\$ 31,373	\$ 48,834	\$ 35,247	\$ 3,197	\$ 8,552	\$ 23,525	\$ 150,728

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 job growth continues. Local construction permits remain healthy and it is clear that Galveston's economic outlook is stable.

The total budget included \$145.4 million for maintenance and operations, a 1.39 percent increase over FY 2017. One-time appropriations are budgeted at \$9.3 million, \$2.5 million less than last year. And the capital budget, based on the first year of the FY 2018-2022 Capital Improvement Plan is adopted to cover project appropriations totalling \$75.5 million, \$3.6 million, or 4.49 percent, less than last year. The total budget is \$230.2 million, a 1.75 percent drop from last year's \$234.3 million budget.

The assumptions behind the FY 2018 Budget reflect Galveston's continued steady growth after several years of strong growth as documented in the transmittal letter of this report. FY 2018 property taxes are based on values from calendar year 2016. The tax rate was increased by \$0.035 from \$0.526 to \$0.561 strictly for the purpose of servicing the bonds to be sold in installments as needed over the next several years beginning in FY 2018. Water and sewer rates were held constant as revenues performed well enough last year to support another year of capital financing and pay as you go without a rate increase.

Operating priorities included personnel (\$6 million increase), debt service (\$3.1 million) and water supply provided through the Gulf Coast Water Authority (\$1 million). Personnel expenses increased primarily in support of public safety including \$1.2 million for new police officers and \$1.0 million for 15.5 additional civilian positions. Compensation increases (\$2 million total) averaging 4 percent for police and fire in accordance with the second year of the collective bargaining agreements approved in September 2016. Civilian employees also received a two percent increase. Funds were also set aside from current General Fund revenue for planned increases in the city's contribution to police and firefighters pensions. Employer contributions to the city's health benefits were also increased eight percent.

After the budget was proposed, and Hurricane Harvey made landfall, a supplement to the FY 2018 Budget was developed. In the first budget amendment to the FY 2018 Budget, a Hurricane Harvey fund was established in anticipation of \$3.8 million in storm related costs. Approximately \$300,000 is the city's match, but all of this cost must be funded locally and then submitted for reimbursement. Depending on the improvement damaged or operating cost involved in preparation and response to the storm, the appropriate city fund will be charged for the cost of repairs and tracked through the Harvey Fund. After reimbursements are received, management will determine when it is appropriate to reimburse the individual city funds that contributed to the repairs.

Requests for Information

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

Basic Financial Statements

2017 Comprehensive
Annual Financial
Report



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STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 61,272,431	\$ 9,998,942	\$ 71,271,373	\$ 14,375,132
Accounts receivable, net of allowance for doubtful accounts	6,823,423	10,234,376	17,057,799	15,063,012
Internal balances	(6,994,145)	6,994,145	-	-
Due from other governments	15,858,261	10,125	15,868,386	-
Due from component units	4,643,849	-	4,643,849	-
Restricted cash and investments	41,907,980	53,585,725	95,493,705	23,576,204
Inventories	651,516	129,150	780,666	11,818
Prepaid items	540,145	784,376	1,324,521	922,632
Total current assets	124,703,460	81,736,839	206,440,299	53,948,798
Non-current assets:				
Net investment in direct financing and capital leases	-	-	-	1,858,698
Capital assets not being depreciated	45,315,532	29,302,243	74,617,775	21,027,288
Capital assets net of depreciation	144,657,694	262,890,482	407,548,176	480,225,188
Total non-current assets	189,973,226	292,192,725	482,165,951	503,111,174
Total Assets	314,676,686	373,929,564	688,606,250	557,059,972
Deferred Outflows of Resources				
Deferred charge on refunding	525,516	1,158,839	1,684,355	-
Deferred outflows relating to pension activities	12,559,003	2,686,100	15,245,103	1,185,703
Total Deferred Outflows of Resources	13,084,519	3,844,939	16,929,458	1,185,703
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	12,631,537	2,725,922	15,357,459	11,618,619
Due to other governments	2,963,486	450,119	3,413,605	632,045
Accrued interest	338,434	1,280,302	1,618,736	755,049
Unearned revenue	4,985,189	15,937	5,001,126	79,594
Customer deposits	-	1,950,692	1,950,692	-
Total current liabilities	20,918,646	6,422,972	27,341,618	13,085,307
Non-current liabilities:				
Due within one year	9,012,825	6,527,678	15,540,503	6,294,505
Due in more than one year	76,946,966	86,139,745	163,086,711	78,873,762
Net pension liability	61,840,132	6,434,000	68,274,132	3,147,175
Total non-current liabilities	147,799,923	99,101,423	246,901,346	88,315,442
Total Liabilities	168,718,569	105,524,395	274,242,964	101,400,749
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	50,100
Deferred inflows relating to pension activities	4,134,611	715,200	4,849,811	178,512
Total Deferred Inflows of Resources	4,134,611	715,200	4,849,811	228,612
Net Position				
Net investment in capital assets	143,927,569	199,743,533	343,671,102	453,527,047
Restricted:				
Capital projects	21,336,264	47,417,937	68,754,201	-
Grants	385,615	-	385,615	-
Beach preservation	1,212,904	-	1,212,904	-
Infrastructure & debt service	4,393,781	-	4,393,781	-
Debt service	4,138,720	4,217,095	8,355,815	9,037,090
Tourism, convention and hotel industry				
Convention center operator	1,837,916	-	1,837,916	-
City of Galveston	1,055,608	-	1,055,608	-
Unrestricted	(23,380,352)	20,156,343	(3,224,009)	(5,947,823)
Total Net Position	\$ 154,908,025	\$ 271,534,908	\$ 426,442,933	\$ 456,616,314

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 13,983,713	\$ 1,761,118	\$ 148	\$ -
Public safety	34,793,315	2,657,964	930,171	-
Public works	7,728,554	-	-	-
Culture and recreation	18,754,346	198,477	108,865	400,000
Planning and community development	10,067,260	1,455,124	15,227,515	10,942,017
Transportation system	5,705,188	1,568,237	2,791,506	3,600,092
Interest on long-term debt	1,620,037	-	-	-
Total Governmental Activities	<u>92,652,413</u>	<u>7,640,920</u>	<u>19,058,205</u>	<u>14,942,109</u>
Business-type activities:				
Waterworks	17,384,690	21,643,242	-	2,808,298
Sewer system	14,888,436	15,557,502	-	-
Sanitation	5,738,706	5,494,007	-	-
Drainage	2,978,748	2,852,930	-	-
Airport	1,887,209	934,876	251,276	500,639
Total Business-type Activities	<u>42,877,789</u>	<u>46,482,557</u>	<u>251,276</u>	<u>3,308,937</u>
Total Primary Government	<u>\$ 135,530,202</u>	<u>\$ 54,123,477</u>	<u>\$ 19,309,481</u>	<u>\$ 18,251,046</u>
Component Units	71,124,967	41,628,422	-	3,695,324
Total Component Units	<u>\$ 71,124,967</u>	<u>\$ 41,628,422</u>	<u>\$ -</u>	<u>\$ 3,695,324</u>
General revenues				
Property taxes				
Sales tax				
Hotel occupancy taxes				
Franchise tax				
Payments in lieu of taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in net position				
Net position - beginning				
Extraordinary item				
Prior period adjustments				
Net position - ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,222,447)	\$ -	\$ (12,222,447)	
(31,205,180)	-	(31,205,180)	
(7,728,554)	-	(7,728,554)	
(18,047,004)	-	(18,047,004)	
17,557,396	-	17,557,396	
2,254,647	-	2,254,647	
(1,620,037)	-	(1,620,037)	
<u>(51,011,179)</u>	<u>-</u>	<u>(51,011,179)</u>	
-	7,066,850	7,066,850	
-	669,066	669,066	
-	(244,699)	(244,699)	
-	(125,818)	(125,818)	
-	(200,418)	(200,418)	
-	<u>7,164,981</u>	<u>7,164,981</u>	
\$ (51,011,179)	\$ 7,164,981	\$ (43,846,198)	
			\$ (25,801,221)
			<u>\$ (25,801,221)</u>
28,509,247	-	28,509,247	3,591,990
21,142,776	-	21,142,776	-
11,731,027	-	11,731,027	10,926,683
5,562,690	-	5,562,690	-
288,561	-	288,561	-
444,306	281,430	725,736	344,981
1,699,406	462,249	2,161,655	16,053,343
(9,260,088)	<u>9,260,088</u>	-	-
<u>60,117,925</u>	<u>10,003,767</u>	<u>70,121,692</u>	<u>30,916,997</u>
9,106,746	17,168,748	26,275,494	5,115,776
127,171,848	272,046,806	399,218,654	451,523,538
-	-	-	(23,000)
<u>18,629,431</u>	<u>(17,680,646)</u>	<u>948,785</u>	<u>-</u>
\$ <u>154,908,025</u>	\$ <u>271,534,908</u>	\$ <u>426,442,933</u>	\$ <u>456,616,314</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
 September 30, 2017

	General Fund	Hurricane Ike	CDBG Disaster Fund Non- Housing	General Obligation Bonds 2017 Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 9,653,423	\$ 4,161,347	\$ 2,511,688	\$ -	\$ 51,172,940	\$ 67,499,398
Receivables, net of allowance for uncollectibles	4,972,809	-	-	-	2,099,978	7,072,787
Due from other governments	2,467,285	215,938	6,535,421	-	6,547,106	15,765,750
Due from other funds	4,578,488	-	-	-	3,104,171	7,682,659
Inventories	-	-	-	-	351,600	351,600
Prepaid items	79,354	-	-	-	-	79,354
Restricted cash and investments	-	-	-	25,060,204	-	25,060,204
Total Assets	<u>\$ 21,751,359</u>	<u>\$ 4,377,285</u>	<u>\$ 9,047,109</u>	<u>\$ 25,060,204</u>	<u>\$ 63,275,795</u>	<u>\$ 123,511,752</u>
Liabilities						
Accounts payable	1,191,619	710,889	2,679,862	-	6,446,532	11,028,902
Accrued liabilities	-	-	623,738	-	282,083	905,821
Due to other funds	31,805	3,666,396	2,370,574	-	5,938,801	12,007,576
Due to other governments	153,822	-	2,807,317	-	2,348	2,963,487
Unearned revenue	1,029,773	-	-	-	3,955,416	4,985,189
Total Liabilities	<u>2,407,019</u>	<u>4,377,285</u>	<u>8,481,491</u>	<u>-</u>	<u>16,625,180</u>	<u>31,890,975</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	954,904	-	-	-	153,064	1,107,968
Unavailable revenue - court fines	602,541	-	-	-	-	602,541
Total Deferred Inflows of Resources	<u>1,557,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,064</u>	<u>1,710,509</u>
Fund Balance						
Nonspendable:						
Inventories	-	-	-	-	129,879	129,879
Prepaid items	79,354	-	-	-	-	79,354
Restricted:						
Debt service	-	-	-	-	4,408,675	4,408,675
Beach preservation	-	-	-	-	1,212,904	1,212,904
Infrastructure and debt service	-	-	-	-	4,393,781	4,393,781
Capital projects	-	-	-	25,060,204	21,336,264	46,396,468
Grants	-	-	565,618	-	385,615	951,233
Tourism, convention and hotel industry:						
Convention center operator	-	-	-	-	1,837,916	1,837,916
City of Galveston	-	-	-	-	1,055,608	1,055,608
Committed:						
Governmental projects	-	-	-	-	5,404,901	5,404,901
Assigned:						
Emergency reserves	11,968,618	-	-	-	-	11,968,618
Other	-	-	-	-	6,346,778	6,346,778
Unassigned	5,738,923	-	-	-	(14,770)	5,724,153
Total Fund Balance	<u>17,786,895</u>	<u>-</u>	<u>565,618</u>	<u>25,060,204</u>	<u>46,497,551</u>	<u>89,910,268</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 21,751,359</u>	<u>\$ 4,377,285</u>	<u>\$ 9,047,109</u>	<u>\$ 25,060,204</u>	<u>\$ 63,275,795</u>	<u>\$ 123,511,752</u>

See Notes to Financial Statements.

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

September 30, 2017

Total fund balance, governmental funds	\$ 89,910,268
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 \$318,066,546 and the accumulated depreciation is \$133,883,260.	184,183,286
Long-term non-financial receivables are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds. This represents capital contributions due from developers in the future.	
Property taxes receivable	1,107,968
Adjudicated municipal court fines	602,541
Long-term receivable from component unit	4,643,849
Long-term liabilities, including bonds payable, compensated absences, and net pension liability are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:	
Bonds payable, at maturity	(66,025,681)
Accrued interest on the bonds	(338,434)
Premium/discount of bonds payable	(4,480,778)
Compensated absences	(9,387,138)
Deferred charge on refunding of debt	525,516
Net pension liability	<u>(61,840,132)</u>
	(141,546,647)
Deferred outflows and deferred inflows relating to pension activities	8,424,392
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>7,582,368</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 154,908,025</u>

See Notes to Financial Statements.

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

For the Year Ended September 30, 2017

	General Fund	Hurricane Ike	CDBG Disaster Fund Non-Housing	General Obligation Bonds 2017 Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes:						
Property taxes	\$ 23,763,468	\$ -	\$ -	\$ -	\$ 4,594,092	\$ 28,357,560
Sales tax	15,197,449	-	-	-	16,796,843	31,994,292
Franchise and other taxes	6,542,201	-	-	-	-	6,542,201
Licenses and permits	1,142,579	-	-	-	-	1,142,579
Fines and forfeitures	1,578,365	-	-	-	88,786	1,667,151
Charges for services	1,649,312	-	-	-	2,462,711	4,112,023
Investment earnings	118,666	-	-	61,307	217,500	397,473
Intergovernmental	-	12,804,170	12,093,998	-	12,763,954	37,662,122
Payments in lieu of taxes	188,561	-	-	-	-	188,561
Other	763,347	-	75,413	-	1,448,914	2,287,674
Total Revenues	50,943,948	12,804,170	12,169,411	61,307	38,372,800	114,351,636
Expenditures						
Current:						
General government	7,254,198	-	-	1,103	2,128,147	9,383,448
Public safety	30,194,824	-	-	-	549,781	30,744,605
Highways and roads	3,933,319	-	-	-	-	3,933,319
Culture and recreation	2,588,900	-	-	-	12,738,005	15,326,905
Planning and community development	2,273,357	5,008,162	175,502	-	1,381,683	8,838,704
Transportation	870,000	-	-	-	4,673,757	5,543,757
Debt Service:						
Principal	-	-	-	-	5,126,769	5,126,769
Interest and other charges	-	-	-	-	1,603,250	1,603,250
Bond issuance costs	-	-	-	-	308,152	308,152
Capital Outlay	1,424,797	8,438,329	11,993,909	-	16,712,683	38,569,718
Total Expenditures	48,539,395	13,446,491	12,169,411	1,103	45,222,227	119,378,627
Excess (deficiency) of revenues over expenditures	2,404,553	(642,321)	-	60,204	(6,849,427)	(5,026,991)
Other Financing Sources (Uses)						
Proceeds from bonds sales	-	-	-	-	22,600,000	22,600,000
Premiums on bonds	-	-	-	-	2,708,151	2,708,151
Payment to escrow agent	-	-	-	-	-	-
Sale of capital assets	86,142	-	-	-	1,332	87,474
Transfers in	650,000	642,321	-	25,000,000	11,609,612	37,901,933
Transfers (out)	(6,013,010)	-	-	-	(30,836,292)	(36,849,302)
Total Other Financing Sources and Uses	(5,276,868)	642,321	-	25,000,000	6,082,803	26,448,256
Net change in fund balance	(2,872,315)	-	-	25,060,204	(766,624)	21,421,265
Fund balance - beginning	20,659,210	-	565,617	-	45,600,508	66,825,335
Prior period adjustments	-	-	-	-	1,663,667	1,663,667
Fund balance - ending	\$ 17,786,895	\$ -	\$ 565,617	\$ 25,060,204	\$ 46,497,551	\$ 89,910,267

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, 2017

Net change in fund balance - total governmental funds:	\$ 21,400,999
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 (\$9,972,291) is exceeded by capital outlays (\$22,986,002) in the current period.	13,013,711
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.	(149,490)
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.	98,382
Governmental funds report the repayment of long-term receivables as revenues when received and available. In contrast these receipts are treated as a reduction in the receivable at the government wide level of reporting.	(2,169,823)
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.	4,221,874
Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	(20,181,382)
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	117,782
Changes in deferred charge on refunding	(62,688)
Changes in accrued compensated absences	(378,652)
Pension expense for the pension plan measurement year	(6,932,077)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>128,110</u>
Change in net position of governmental activities	<u>\$ 9,106,746</u>

See Notes to Financial Statements.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 317,465	\$ 4,743,809	\$ 4,937,669	\$ 9,998,943	\$ 10,174,224
Accounts receivable, net of allowance for doubtful accounts	4,646,880	3,242,526	2,344,970	10,234,376	464,668
Due from other funds	3,763,919	153,203	407,090	4,324,212	-
Receivables from other governments	-	10,125	-	10,125	92,511
Inventories	64,575	64,575	-	129,150	299,915
Prepaid items	239,878	544,498	-	784,376	460,791
Restricted cash and cash equivalents	25,181,615	27,124,383	1,279,726	53,585,724	435,274
Total current assets	34,214,332	35,883,119	8,969,455	79,066,906	11,927,383
Non-current assets:					
Capital assets not being depreciated:					
Land	686,031	572,536	1,230,764	2,489,331	-
Construction in progress	20,896,198	3,908,669	2,008,045	26,812,912	636,406
Capital assets (net of depreciation):					
Infrastructure	58,314,666	36,614,694	22,531,330	117,460,690	-
Buildings and improvements	21,316,263	101,596,394	3,004,911	125,917,568	4,347,130
Equipment and furniture	1,212,596	2,458,819	4,137,887	7,809,302	806,403
Intangibles	11,702,923	-	-	11,702,923	-
Total non-current assets	114,128,677	145,151,112	32,912,937	292,192,726	5,789,939
Total Assets	148,343,009	181,034,231	41,882,392	371,259,632	17,717,322
Deferred Outflows of Resources					
Deferred charge on refunding	579,082	579,757	-	1,158,839	-
Deferred outflows relating to pension activities	504,600	1,025,600	1,155,900	2,686,100	-
Total Deferred Outflows of Resources	1,083,682	1,605,357	1,155,900	3,844,939	-
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	2,031,129	246,465	448,328	2,725,922	691,500
Accrued interest	647,164	633,138	-	1,280,302	-
Due to other funds	-	815	9,862	10,677	-
Due to other governments	152,036	-	298,084	450,120	-
Customer deposits	975,346	975,346	-	1,950,692	-
Unearned revenue	-	-	15,937	15,937	-
Total current liabilities	3,805,675	1,855,764	772,211	6,433,650	691,500
Non-current liabilities:					
Due within one year	4,332,833	2,132,515	62,330	6,527,678	1,022,033
Due in more than one year	48,775,990	36,810,795	552,960	86,139,745	5,740,811
Net pension liability	1,208,800	2,456,600	2,768,600	6,434,000	-
Total non-current liabilities	54,317,623	41,399,910	3,383,890	99,101,423	6,762,844
Total Liabilities	58,123,298	43,255,674	4,156,101	105,535,073	7,454,344
Deferred Inflows of Resources					
Deferred inflows relating to pension activities	134,400	273,100	307,700	715,200	-
Total Deferred Inflows of Resources	134,400	273,100	307,700	715,200	-
Net Position					
Net investment in capital assets	60,431,275	106,467,530	32,844,728	199,743,533	5,789,939
Restricted:					
Capital projects	22,647,706	23,490,505	1,279,726	47,417,937	-
Debt service	1,558,563	2,658,532	-	4,217,095	-
Unrestricted	6,531,449	6,494,247	4,450,037	17,475,733	4,473,039
Total Net Position	\$ 91,168,993	\$ 139,110,814	\$ 38,574,491	\$ 268,854,298	\$ 10,262,978
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business-type Activities of the Statement of Net Position.				2,680,610	
Total Net Position per Government-Wide financial statements				\$ 271,534,908	

See Notes to Financial Statements.

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

For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
Charges for services	\$ 21,643,242	\$ 15,557,501	\$ 9,281,813	\$ 46,482,556	\$ 17,238,071
Total operating revenues	<u>21,643,242</u>	<u>15,557,501</u>	<u>9,281,813</u>	<u>46,482,556</u>	<u>17,238,071</u>
Operating Expenses					
Personnel services	2,393,916	4,272,774	5,244,806	11,911,496	3,324,746
Contractual services	1,148,568	2,658,571	2,550,655	6,357,794	1,657,202
Supplies and materials	890,386	908,557	223,620	2,022,563	2,371,672
Surface water contract	7,095,932	-	-	7,095,932	-
Insurance claims and premiums	-	-	-	-	10,792,144
Other expenses	359,666	353,852	157,809	871,327	20,378
Administration charge	689,000	421,000	324,000	1,434,000	-
Depreciation	3,554,622	4,669,787	1,967,151	10,191,560	393,380
Total operating expenses	<u>16,132,090</u>	<u>13,284,541</u>	<u>10,468,041</u>	<u>39,884,672</u>	<u>18,559,522</u>
Operating income (loss)	<u>5,511,152</u>	<u>2,272,960</u>	<u>(1,186,228)</u>	<u>6,597,884</u>	<u>(1,321,451)</u>
Non-Operating Revenues (Expenses)					
Intergovernmental revenue	-	-	251,276	251,276	-
Interest and investment revenue	126,361	137,509	17,559	281,429	46,835
Insurance proceeds	-	-	-	-	143,812
Gain (loss) on disposal of capital assets	3,422	(110,383)	434,298	327,337	32,095
Interest expense	(1,204,000)	(1,325,912)	-	(2,529,912)	(29,733)
Bad debt	-	-	18	18	-
Total non-operating revenue (expenses)	<u>(1,074,217)</u>	<u>(1,298,786)</u>	<u>703,151</u>	<u>(1,669,852)</u>	<u>193,009</u>
Income (loss) before contributions and transfers	<u>4,436,935</u>	<u>974,174</u>	<u>(483,077)</u>	<u>4,928,032</u>	<u>(1,128,442)</u>
Capital contributions	11,319,218	228,642	812,471	12,360,331	845,358
Transfers in	-	-	1,635,891	1,635,891	315,935
Transfers (out)	(235,440)	(267,800)	(923,956)	(1,427,196)	(233,049)
Change in net position	<u>15,520,713</u>	<u>935,016</u>	<u>1,041,329</u>	<u>17,497,058</u>	<u>(200,198)</u>
Total net position - beginning	<u>86,517,024</u>	<u>146,603,654</u>	<u>35,917,209</u>	<u>269,037,887</u>	<u>10,463,176</u>
Prior period adjustments	(10,868,744)	(8,427,856)	-	(19,296,600)	-
Total net position - ending	<u>\$ 91,168,993</u>	<u>\$ 139,110,814</u>	<u>\$ 36,958,538</u>	<u>\$ 267,238,345</u>	<u>\$ 10,262,978</u>
Change in net position per above				\$ 17,497,058	
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.				(328,301)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements				\$ 17,168,757	

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 18,555,043	\$ 15,297,242	\$ 11,287,282	\$ 45,139,567	\$ 16,891,448
Disbursed for personnel services	(2,321,805)	(4,235,412)	(5,021,978)	(11,579,195)	(3,198,720)
Disbursed for goods and services	(12,058,955)	(2,346,512)	(3,877,525)	(18,282,992)	(13,941,204)
Administrative service charge	(689,000)	(421,000)	(324,000)	(1,434,000)	-
Net cash provided (used) by operating activities	<u>3,485,283</u>	<u>8,294,318</u>	<u>2,063,779</u>	<u>13,843,380</u>	<u>(248,476)</u>
Cash Flows from Non-Capital Financial Activities:					
Transfers from other funds	-	134,913	1,635,891	1,770,804	315,935
Transfers to other funds	(235,440)	(267,800)	(923,956)	(1,427,196)	(233,049)
Net cash provided (used) by noncapital financing activities	<u>(235,440)</u>	<u>(132,887)</u>	<u>711,935</u>	<u>343,608</u>	<u>82,886</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from the sale of equipment	3,422	120,916	473,805	598,143	32,095
Capital grants	-	-	251,276	251,276	-
Insurance proceeds	-	-	-	-	143,812
Proceeds from issuance of debt	17,998,200	15,331,800	-	33,330,000	-
Interest payments on debt	(1,003,231)	(1,063,835)	-	(2,067,066)	-
Principal payments on debt	(1,527,115)	(2,056,115)	-	(3,583,230)	(109,027)
Acquisition and construction of capital assets	(2,747,498)	(1,334,767)	(1,684,745)	(5,767,010)	(218,324)
Net cash provided (used) by capital and related financing activities	<u>12,723,778</u>	<u>10,997,999</u>	<u>(959,664)</u>	<u>22,762,113</u>	<u>(151,444)</u>
Cash Flows from Investing Activities					
Interest received	149,967	174,597	17,559	342,123	46,835
Interest paid	-	-	-	-	(29,733)
Net cash provided (used) by investing activities	<u>149,967</u>	<u>174,597</u>	<u>17,559</u>	<u>342,123</u>	<u>17,102</u>
Net increase (decrease) in cash and equivalents	<u>16,123,588</u>	<u>19,334,027</u>	<u>1,833,609</u>	<u>37,291,224</u>	<u>(299,932)</u>
Cash and equivalents, beginning of year	9,375,492	12,534,164	4,383,786	26,293,442	10,909,430
Cash and equivalents, at end of year	<u>\$ 25,499,080</u>	<u>\$ 31,868,191</u>	<u>\$ 6,217,395</u>	<u>\$ 63,584,666</u>	<u>\$ 10,609,498</u>
Unrestricted cash and equivalents	\$ 317,465	\$ 4,743,809	\$ 4,937,669	\$ 9,998,943	\$ 10,174,224
Restricted cash and equivalents	25,181,615	27,124,383	1,279,726	53,585,724	435,274
	<u>\$ 25,499,080</u>	<u>\$ 31,868,192</u>	<u>\$ 6,217,395</u>	<u>\$ 63,584,667</u>	<u>\$ 10,609,498</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 5,511,152	\$ 2,272,960	\$ (1,186,228)	\$ 6,597,884	\$ (1,321,451)
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation	3,554,622	4,669,787	1,967,151	10,191,560	393,380
(Increase) decrease in accounts receivable	(2,907,024)	(79,083)	2,005,469	(980,638)	(346,623)
(Increase) decrease in inventory	9,259	9,259	-	18,518	(77,806)
(Increase) decrease in prepaid items	(237,878)	(542,498)	-	(780,376)	(108,121)
(Increase) decrease in interfund receivables & payables relating to pension activities	(3,197,426)	2,216,222	-	(981,204)	-
Increase (decrease) in accounts payable	43,600	127,300	69,000	239,900	-
Increase (decrease) in accounts payable	861,643	(108,514)	(948,059)	(194,930)	1,086,119
Increase (decrease) in customer deposits	(181,176)	(181,176)	-	(362,352)	-
Increase (decrease) in compensated absences payable	40,611	(89,938)	(9,772)	(59,099)	126,026
Increase (decrease) in deferred revenue	-	-	2,618	2,618	-
Increase (decrease) in net pension liability	(12,100)	-	163,600	151,500	-
Net cash provided (used) by operating activities	<u>\$ 3,485,283</u>	<u>\$ 8,294,319</u>	<u>\$ 2,063,779</u>	<u>\$ 13,843,381</u>	<u>\$ (248,476)</u>
Non-cash Transactions:					
Contributed Capital	\$ 11,319,218	\$ 228,642	\$ 812,471	\$ 12,360,331	\$ 636,406

See Notes to Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

	Pension Trust Fund as of <u>December 31, 2016</u>	Agency Fund as of <u>September 30, 2017</u>
Assets		
Cash and temporary investments	\$ 855,028	\$ 749,395
Receivables		
Interest and dividends	241,217	-
Loans to participants	143,377	-
Investments		
Money market funds	1,385,502	-
U.S. Government agencies	984,658	-
Bonds	2,195,612	-
Common stocks	11,787,642	-
Equity mutual funds	76,018,745	-
Bond mutual funds	2,138,981	-
Alternative investments	9,164,817	-
Real estate	718,744	-
Total Assets	<u>105,634,323</u>	<u>\$ 749,395</u>
Liabilities		
Accounts payable	53,838	7,125
Refunds payable and others	-	742,270
Total Liabilities	<u>53,838</u>	<u>\$ 749,395</u>
Net Position - Restricted for Pension Benefits		
Held in trust for benefits and other purposes	<u>105,580,485</u>	
Total Net Position - Restricted for Pension Benefits	<u>\$ 105,580,485</u>	

See Notes to Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year ended December 31, 2016

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 4,388,279
Plan members	3,853,204
Total contributions	<u>8,241,483</u>
Investment Earnings:	
Net increase (decrease) in fair value of investments	5,081,575
Interest and dividends	2,314,983
Less investment expenses	<u>(381,437)</u>
Net investment income	<u>7,015,121</u>
Total Additions	15,256,604
Deductions	
Benefits paid to members and beneficiaries	11,290,909
Refunds of contributions	207,786
Administrative expenses	<u>374,705</u>
Total Deductions	<u>11,873,400</u>
Change in net position	3,383,204
Net position - restricted for pensions, beginning of year	<u>102,197,281</u>
Net position - restricted for pensions, end of year	<u>\$ 105,580,485</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, 2016.

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

Public Improvement District- Beachside Village

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

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 2018 using reserves programmed for that purpose and assessments for 2017 paid by the development bank in June, 2017. The City has no financial or legal responsibility for payment of the bonds. The City's only responsibility is to pursue collections of delinquent assessments and that is being done through the City's delinquent tax collections firm.

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

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

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

The **General Obligation Bonds 2017 Capital Projects Fund** is used to account for the capital outlay financed by the proceeds from the Public Improvement Bonds, Series 2017 (PI bonds). See Note 8.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

As a general rule, the effect of 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 51% of total property taxes including the related penalty and interest accrual as of year-end. The allowance for enterprise fund charges for services is 32.9 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, 2017 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 a 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 close of the reporting period. The amount of the commitment can be determined and approved by the City Council at a later date.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or by the City Council's designee, pursuant to the City's fund balance policy. At September 30, 2017, the City had no assigned fund balance amounts.

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.

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

The City Charter requires that no funds shall be expended nor shall any obligation for the expenditure of

money be incurred unless an appropriation exists in the duly adopted budget. Annual appropriations style budgets are adopted for the General Fund, Special Revenue Funds including the Island Transit, Rosenberg Library and Parks and Recreation Improvement Special Revenue Funds, the Debt Service Fund, and all Enterprise Funds. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, debt service funds and enterprise funds.

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

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

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 four formal, ordinance approved budget amendments during FY 2016. Total appropriations did not increase to remain in compliance with the city charter requirement limiting the total budget to a seven percent increase overall each year. Appropriation balances lapse at year-end and may be re-appropriated by City Council.

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

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

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

N. Estimates

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

O. Pensions

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

P. Deferred Outflows/Inflows of Resources

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

- Deferred outflows of resources for pension – Reported for the City's in the government-wide and enterprise fund financial statement of net position. One portion of this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred loss on refunding reported in the statement of net position – this deferred outflow results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for

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

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

Q. New Accounting Standards

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

- *GASB Statement No. 77, Tax Abatement Disclosures*, establishes financial reporting standards for tax abatement agreements entered into by state and local governments.. The Statement encompasses tax abatement resulting from both agreements that are entered into by the reporting government and agreements that are entered into by governments and that reduce the reporting government's tax revenues.

The City does not have any agreements to disclose that meet the quantitative threshold.

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 102% margin, is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities and municipal obligations rated no less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank. All bank deposits, totalling \$13.6 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.

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, 2017,

- Investments in AAA-rated local government investment pools represented 50.2% of the total portfolio, and
- Holdings in AAA-rated US Government securities represented 48.3% of the total portfolio.
- Bank deposits represented 1.5% 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	\$ 2,290,000			1.50%
Local Government Investment Pools:				
TexPool	71,953,365	AAAm		46.98%
Texas Term	4,906,327	AAAm		3.19%
Total Local Government Investment Pools	<u>76,859,692</u>			<u>50.17%</u>
Investment Securities:				
Federal National Mortgage Assoc.	997,477	AA+	Aaa	0.65%
Federal Home Loan Mortgage Corp.	10,182,811	AA+	Aaa	6.65%
Federal CDN	8,950,638	AA+	Aaa	5.84%
Federal HDN	2,998,515	AA+	Aaa	1.96%
Federal MCDN	3,990,176	AA+	Aaa	2.61%
Federal Home Loan Bank	9,274,653	AA+	Aaa	6.06%
Federal Farm Credit Bank	3,995,750	AA+	Aaa	2.61%
US Treasury Securities	33,620,691	AA+	Aaa	21.95%
Total Investment Securities	<u>74,010,711</u>			<u>48.33%</u>
Total Investment Portfolio	<u>\$ 153,160,403</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 of the 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	\$ 32,098,312	\$ 1,522,379
U.S. Agency Securities:		
Federal Home Loan Mortgage Corp.	7,557,131	2,625,680
Federal Home Loan Bank	9,274,653	-
Federal CDN	8,950,638	-
Federal HDN	2,998,515	-
Federal MCDN	3,990,176	-
Federal Farm Credit Bank	1,001,192	2,994,558
Federal National Mortgage Association	997,477	-
Local Government Pools	76,859,692	-
Total	\$ 143,727,786	\$ 7,142,617

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, 2017:

	Fair Value / Amortized Cost	Fair Value Measurements Using			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Investment Securities:					
Federal Farm Credit Bank	\$ 12,946,388	\$ -	\$ 12,946,388	\$ -	247
Federal Home Loan Bank	12,273,168	-	12,273,168	-	172
Freddie Mac	14,172,987	-	14,172,987	-	229
Fannie Mae	997,477	-	997,477	-	298
US Treasury Securities	33,620,691	33,620,691	-	-	174
Total Investment Securities	\$ 74,010,711	\$ 33,620,691	\$ 40,390,020	\$ -	199

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 collections 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. In the last ten fiscal years, the least tax rate adjustment for this purpose was found in FY 2017, Tax Year 2016, and it reduced the maximum property tax rate \$0.099163 per \$100 of taxable value. For FY 2017, the maximum property tax rate was \$0.600837. Conversely the largest property tax rate adjustment in the last ten years was \$0.139244 in FY 2010. That adjustment reduced the maximum property tax rate to \$0.560756 per \$100 of taxable value.

Within these guidelines, the adopted tax rate per \$100 of assessed valuation, for the year ended September 30, 2017, was \$0.5260. The tax rate to finance general governmental services was set at \$0.491025 and the tax rate for all other purposes, including debt service, was set at \$0.034975 per \$100 of assessed valuation.

Under the Texas Property Tax Code, property taxes are certified by the Chief Appraiser on or by July 25, and the County Tax Assessor-Collector, acting in that capacity for the City, 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 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, 2017. 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, the 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 re-nourishment, 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, 2017, for the City's individual major and non-major funds and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

GOVERNMENTAL FUNDS

	General Fund	Hurricane Ike	CDBG Disaster Fund Non-Housing	General Obligation Bonds 2017 Capital Projects	Non-Major Governmental Funds	Total	Internal Service Funds
Receivables:							
Property taxes	\$ 2,057,135	\$ -	\$ -	\$ -	\$ 263,303	\$ 2,320,438	\$ -
Sales and use taxes	2,502,420	-	-	-	834,140	3,336,560	-
Franchise taxes	431,886	-	-	-	41,000	472,886	-
Hotel taxes	-	-	-	-	2,168,143	2,168,143	-
Court fines	2,654,146	-	-	-	-	2,654,146	-
Customer accounts	1,669,713	-	-	-	-	1,669,713	81,098
Intergovernmental	55,122	215,938	6,535,421	-	4,259,396	11,065,877	92,511
Other	1,023,801	-	-	-	1,191,341	2,215,142	383,570
Allowance for uncollectibles	(2,863,872)	-	-	-	(110,239)	(2,974,111)	-
Total	\$ 7,530,351	\$ 215,938	\$ 6,535,421	\$ -	\$ 8,647,084	\$ 22,928,794	\$ 557,179

BUSINESS TYPE ACTIVITIES

	Water	Sewer	Non-Major Enterprise Funds	Total
Receivables:				
Customer accounts	\$ 7,274,379	\$ 4,749,120	\$ 3,218,036	\$ 15,241,535
Other	874	9,775	36,755	47,404
Allowance for uncollectibles	(2,628,373)	(1,516,369)	(909,821)	(5,054,563)
Total	\$ 4,646,880	\$ 3,242,526	\$ 2,344,970	\$ 10,234,376

Note 6 - Interfund Transfers and Receivables

Interfund transfers for the primary government are as follows for the year ended September 30, 2017:

	Transfer In Fund							Totals
	General Fund	Hurricane Ike Fund	General Obligation Bonds 2017 Capital Projects	Non-Major Governmental Funds	Enterprise Funds	Non-Major Enterprise Funds	Internal Service Funds	
Transfer Out Fund								
General Fund	\$ -	\$ -	\$ -	\$ 5,883,010	\$ -	\$ -	\$ 130,000	\$ 6,013,010
Hurricane Ike Fund	-	-	-	146,608	-	567,626	109,338	823,572
Non-Major Governmental Funds	50,000	642,321	25,000,000	5,166,375	-	-	(2,403)	30,856,293
Enterprise Funds	400,000	-	-	63,240	-	-	40,000	503,240
Non-Major Enterprise Funds	200,000	-	-	117,330	-	1,068,265	39,000	1,424,595
Internal Service Funds	-	-	-	233,049	-	-	-	233,049
	\$ 650,000	\$ 642,321	\$ 25,000,000	\$ 11,609,612	\$ -	\$ 1,635,891	\$ 315,935	\$39,853,759

The following is a detail of the interfund transfers:

Transfer from	Transfer to	Purpose
General Fund	Police Special Revenue Fund	General operations
General Fund	Pension Reform Fund	
General Fund	General Fund Capital Projects Fund	Charter required Capital Reserve
General Fund	Health & Life Insurance Fund	General operations
General Fund	Separation Pay Fund	General operations
Hurricane Ike Fund	Fire Special Revenue Fund	Allocate insurance proceeds
Hurricane Ike Fund	Airport Fund	Allocate insurance proceeds
Hurricane Ike Fund	Central Garage Fund	Allocate insurance proceeds
Convention Center Surplus Fund	General Fund	General operations
Recovery & Capital Reserve Fund	Hurricane Ike Fund	TWIA allocation
Convention Center Surplus Fund	Island Transit Capital Improv Fund	Trolley Car system
Debt Service Fund	Public Improvement Bond Fund	2017 General Obligation Bond proceeds
Police Special Revenue Fund	Bullet Proof Vest Grant Fund	City match
IDC Parks Fund	Lasker Pool Fund	Construction contribution
Island Transit Capital Improv Fund	Downtown Pedestrian Transit Fund	City match
Island Transit Capital Improv Fund	FTA Capital Projects Fund	City match
Alarm Permit Fund	Technology Improvement Fund	General operations
Court Technology Fund	Technology Improvement Fund	General operations
Waterworks System Funds	Separation Pay Fund	General operations
Waterworks System Funds	Health & Life Insurance Fund	General operations
Waterworks System Funds	General Fund	Payment in lieu of taxes
Sewer System Funds	General Fund	Payment in lieu of taxes
Sewer System Funds	Separation Pay Fund	General operations
Sewer System Funds	Health & Life Insurance Fund	General operations
Airport Fund	Airport Improvement Fund	Allocate insurance proceeds & fund TIRZ Hangars
Sanitation Fund	Separation Pay Fund	General operations
Sanitation Fund	General Fund	Payment in lieu of taxes
Airport Fund	Health & Life Insurance Fund	General operations
Airport Fund	Separation Pay Fund	General operations
Municipal Utility Drainage Fund	Technology Improvement Fund	General operations
Municipal Utility Drainage Fund	Health & Life Insurance Fund	General operations
Municipal Utility Drainage Fund	Separation Pay Fund	General operations
Central Service Fund	Debt Service Fund	P & I payments for 2008 C O & 2016 G O

The following is a detail of interfund receivables and payables for the primary government as of September 30, 2017:

	Receivable Funds: Due From					Totals
	General Fund	Enterprise Funds	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	
Payable Funds: Due To						
General Fund	\$ -	\$ -	\$ 31,805	\$ -	\$ -	\$ 31,805
Hurricane Ike Fund	-	3,187,528	46,749	407,090	25,028	3,666,395
Non-Major Governmental Funds	-	-	1,314,027	-	-	1,314,027
Non-Major Enterprise Funds	7,397	-	2,465	-	-	9,862
	<u>\$ 7,397</u>	<u>\$ 3,187,528</u>	<u>\$ 1,395,046</u>	<u>\$ 407,090</u>	<u>\$ 25,028</u>	<u>\$ 5,022,089</u>

The following is a detail of interfund receivables and payables:

Due to	Due from	Purpose
General Fund	Non-Major Governmental Funds	Refund unexpended grant funds
Hurricane Ike Fund	Enterprise Funds	City's share of disaster recovery projects
Hurricane Ike Fund	Non-Major Governmental Funds	City's share of disaster recovery projects
Hurricane Ike Fund	Non-Major Enterprise Funds	City's share of disaster recovery projects
Hurricane Ike Fund	Internal Service Funds	City's share of disaster recovery projects
Non-Major Governmental Funds	Non-Major Governmental Funds	HOT accrual
Non-Major Enterprise Funds	General Fund	Sales tax accrual
Non-Major Enterprise Funds	Non-Major Governmental Funds	Sales tax accrual

Note 7 - Capital Assets

The following is a detail of capital asset activity for the year ended September 30, 2017:

	Balance September 30, 2016	Increases	Decreases / Transfers	Balance September 30, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 20,013,022	\$ 437,050	\$ -	\$ 20,450,072
Construction in progress	31,921,781	24,649,338	(31,705,659)	24,865,460
Total capital assets not being depreciated	<u>51,934,803</u>	<u>25,086,388</u>	<u>(31,705,659)</u>	<u>45,315,532</u>
Other capital assets:				
Infrastructure	146,542,610	23,383,952	-	169,926,562
Buildings and improvements	56,398,271	352,766	-	56,751,037
Licensed vehicles	22,546,301	3,947,863	(965,294)	25,528,870
Machinery and equipment	16,921,088	1,267,347	-	18,188,435
Improvements other than buildings	9,183,325	2,629,964	-	11,813,289
Total other capital assets	<u>251,591,595</u>	<u>31,581,892</u>	<u>(965,294)</u>	<u>282,208,193</u>
Less accumulated depreciation for:				
Infrastructure	(80,692,569)	(4,756,355)	-	(85,448,924)
Buildings and improvements	(15,228,031)	(1,285,382)	-	(16,513,413)
Licensed vehicles	(14,370,436)	(2,645,040)	815,802	(16,199,674)
Machinery and equipment	(12,650,650)	(1,336,915)	-	(13,987,565)
Improvements other than buildings	(5,058,944)	(341,979)	-	(5,400,923)
Total accumulated depreciation	<u>(128,000,630)</u>	<u>(10,365,671)</u>	<u>815,802</u>	<u>(137,550,499)</u>
Other capital assets, net	123,590,965	21,216,221	(149,492)	144,657,694
Totals	<u>\$ 175,525,768</u>	<u>\$ 46,302,609</u>	<u>\$ (31,855,151)</u>	<u>\$ 189,973,226</u>
	Balance September 30, 2016	Increases	Decreases / Transfers	Balance September 30, 2017
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,489,331	\$ -	\$ -	\$ 2,489,331
Construction in progress	19,270,300	15,056,877	(7,514,265)	26,812,912
Total capital assets not being depreciated	<u>21,759,631</u>	<u>15,056,877</u>	<u>(7,514,265)</u>	<u>29,302,243</u>
Other capital assets:				
Improvements other than buildings	179,314,794	6,814,365	(940)	186,128,219
Building and system	155,044,139	548,761	(50,968)	155,541,932
Machinery and equipment	25,541,760	1,009,904	(1,125,361)	25,426,303
Contractual water rights	31,822,374	-	-	31,822,374
Total other capital assets	<u>391,723,067</u>	<u>8,373,030</u>	<u>(1,177,269)</u>	<u>398,918,828</u>
Less accumulated depreciation for:				
Improvements other than buildings	(64,541,107)	(4,126,422)	-	(68,667,529)
Building and system	(26,402,350)	(3,222,014)	-	(29,624,364)
Machinery and equipment	(16,926,392)	(1,545,159)	854,550	(17,617,001)
Contractual water rights	(18,821,484)	(1,297,968)	-	(20,119,452)
Total accumulated depreciation	<u>(126,691,333)</u>	<u>(10,191,563)</u>	<u>854,550</u>	<u>(136,028,346)</u>
Other capital assets, net	265,031,734	(1,818,533)	(322,719)	262,890,482
Totals	<u>\$ 286,791,365</u>	<u>\$ 13,238,344</u>	<u>\$ (7,836,984)</u>	<u>\$ 292,192,725</u>

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

General government	\$	1,261,476
Public safety		1,212,288
Public works		4,051,588
Culture and recreation		2,439,804
Planning and community development		157,915
Transportation system		849,220
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		393,380
Total Governmental Activities	\$	<u>10,365,671</u>
Waterworks	\$	3,554,622
Sewer system		4,669,788
Sanitation		425,761
Drainage		656,667
Airport		884,725
Total Business-Type Activities	\$	<u>10,191,563</u>

Construction in progress and remaining commitment, as of September 30, 2017, were as follows:

Project Description	Project Authorization	Project Cost to Date	Remaining Commitment
Governmental Activities:			
Seawall Project	\$ 6,485,303	\$ 5,555,309	\$ 929,994
Various street reconstruction projects	12,172,852	4,993,060	7,179,792
Trolley Project	6,743,590	3,303,384	3,440,206
Police Department, Fire Department & City Hall Rehab	2,921,227	2,873,828	47,399
Island Transit Project	2,176,591	1,894,962	281,629
27th Corridor	2,925,901	1,544,123	1,381,778
Little League and Sandhill Soccer Complexes	4,023,820	1,083,234	2,940,586
IDC Projects	1,115,380	1,068,168	47,212
Sidewalk system - 81st Street to Sand Hill and Stewart	1,049,227	1,021,333	27,894
61st St. Pedestrian Bridge at Washington Park	1,255,247	370,679	884,568
Various other projects	1,755,961	1,157,379	598,582
Total Governmental Activities	<u>\$ 42,625,100</u>	<u>\$ 24,865,460</u>	<u>\$ 17,759,640</u>
Business-type Activities:			
Waterworks System Fund Projects			
HMPG - 59th Street Pump Station	\$ 14,378,162	\$ 14,361,208	\$ 16,954
Fire hydrant replacement program	3,422,881	3,389,648	33,233
Various waterline replacement projects	3,893,275	1,854,368	2,038,907
Various other water projects	1,403,853	1,290,974	112,879
Sewer System Fund Projects			
Inflow & infiltration line repairs	4,388,108	2,918,108	1,470,000
Pirates Beach and Seawolf Park wastewater treatment plant reconstruction and expansion	881,498	321,465	560,033
Various other sewer projects	1,228,553	669,095	559,458
Drainage Fund Projects			
Storm water management	840,678	782,055	58,623
Storm drain rehabilitation	612,418	289,018	323,400
Various other drainage projects	793,615	419,174	374,441
Airport Fund Projects			
Various other airport projects	684,641	517,798	166,843
Total Business-type Activities	<u>\$ 32,527,682</u>	<u>\$ 26,812,912</u>	<u>\$ 5,714,771</u>

Note 8 - Long-Term Debt

A. Governmental Activities

Long-term liability activity for the year ended September 30, 2017, is as follows:

	Balance September 30, 2016 *	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 12,565,325	\$ 22,600,000	\$ (1,331,070)	\$ 33,834,255	\$ 2,702,970
Accretion on capital interest bonds	2,555,271	282,283	-	2,837,554	-
Special obligation bonds	24,390,000	-	(865,000)	23,525,000	920,000
Certificates of obligation	8,759,572	-	(2,930,700)	5,828,872	2,955,200
Unamortized bond issuance premium	2,097,875	2,708,152	(325,248)	4,480,778	-
	<u>50,368,043</u>	<u>25,590,435</u>	<u>(5,452,018)</u>	<u>70,506,459</u>	<u>6,578,170</u>
Other liabilities:					
Other Post-Employment Benefit Obligation (OPEB)	3,452,457	824,487	(227,955)	4,048,989	-
Notes payable	730,400	-	(109,589)	620,811	114,182
Claims payable - workers compensation	689,472	116,887	(220,481)	585,878	96,773
Claims payable - health insurance	553,985	4,467,145	(4,210,614)	810,516	810,516
Compensated absences	9,008,486	757,304	(378,652)	9,387,138	1,413,174
Total Governmental Activities	<u>\$ 64,802,843</u>	<u>\$ 31,756,258</u>	<u>\$ (10,599,309)</u>	<u>\$ 85,959,791</u>	<u>\$ 9,012,815</u>

* Beginning balances for fiscal year 2016 have been restated for a change in allocation of debt as described in Note 15 to the financial statements.

Compensated absences, other post-employment benefits and pension obligations 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. The City recognizes annual pension cost equal to the annual required contribution, net of employee contributions.

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

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

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 \$2,873,672 and a maturity value of \$6,320,000. The interest on these obligations will be paid upon maturity in the fiscal year ending September 30, 2020. The accreted value of these bonds at September 30, 2017 was \$2,837,554. The accretion expense recognized in the current fiscal year was \$282,000, 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	\$ 5,475,000
Series 2014 Obligation Refunding Bonds *	3,717,000	2023	2.0 to 4.0	3,298,424
Series 2016 Obligation Refunding Bonds *	2,460,831	2033	2.0 to 5.0	2,460,831
Series 2017 Public Improvement Bonds	22,600,000	2046	2.0 to 4.0	22,600,000
Total General Obligation Bonds				<u>\$ 33,834,255</u>
Special Obligation Bonds				
Series 2012A Hotel Occupancy Tax Refunding Bonds	\$ 14,350,000	2034	3.0 to 5.0	\$ 12,405,000
Series 2012B Hotel Occupancy Tax Refunding Bonds	13,215,000	2032	3.0 to 5.0	11,120,000
Total Special Obligation Bonds				<u>\$ 23,525,000</u>
Certificates of Obligation				
Series 2004 Wharves and Terminal Revenue Bonds	\$ 19,323,672	2020	4.3 to 5.2	\$ 2,873,672
Series 2004 including the Capital Appreciation Bonds				2,837,554
Series 2008 Combination Tax and Revenue Bonds *	644,580	2018	4.3 to 5.3	115,200
Series 2013A Combination Tax and Revenue Refunding Bonds	11,420,000	2018	2.0 to 4.0	660,000
Series 2013B Combination Tax and Revenue Refunding Bonds	2,180,000	2018	3	2,180,000
Total Certificates of Obligation				<u>\$ 8,666,426</u>
Notes Payable				
2007 Note Payable	\$ 1,531,488	2024	3.5-4.0	\$ 620,811
Total Notes Payable				<u>\$ 620,811</u>

* The original issue was \$5,900,000 for the Series 2014 Obligation Refunding Bonds, \$17,365,000 for the Series 2016 Obligation Refunding Bonds and \$3,581,000 for the Series 2008 Combination Tax and Revenue Bonds. The original issue amounts reported represent the portion allocated to governmental activities only.

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
2018	\$ 2,702,970	\$ 1,232,343	\$ 920,000	\$ 867,981
2019	2,355,991	1,328,521	980,000	831,182
2020	2,338,543	1,236,371	1,045,000	791,981
2021	2,250,100	1,146,143	1,110,000	756,082
2022	2,543,200	1,053,638	1,185,000	700,581
2023-2027	7,309,000	3,945,230	7,120,000	2,713,344
2028-2032	7,035,600	2,395,667	9,120,000	1,389,844
2033-2037	7,298,851	875,954	2,045,000	115,668
	<u>\$ 33,834,255</u>	<u>\$ 13,213,867</u>	<u>\$ 23,525,000</u>	<u>\$ 8,166,663</u>

Year Ending Sept. 30	Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 2,955,200	\$ 50,796	\$ 114,182	\$ 24,578
2019	1,483,051	1,676,949	118,967	19,793
2020	1,390,621	1,769,379	123,953	14,807
2021	-	-	129,148	9,613
2022	-	-	134,561	4,200
	<u>\$ 5,828,872</u>	<u>\$ 3,497,124</u>	<u>\$ 620,811</u>	<u>\$ 72,991</u>

Current Year Issuance of Debt – Governmental Activities

On May 6, 2017, voters authorized the issuance of \$62 million in tax supported General Obligation bonds. On July 11, 2017, the City issued the first installment of Public Improvement Bonds, Series 2017 in the amount of \$22,600,000. The interest rate ranges from 2.0% - 4.0%. The bonds were issued at a premium totaling \$2,708,151. The \$25 million in proceeds generated by the sale reduce the bond election authorization for future bond sales to \$37 million. These proceeds were used to pay the costs of issuance and will be used 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.

Business Type Activities

Long-term liability activity for the year ended September 30, 2017, is as follows:

	Balance September 30, 2016 *	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bonds payable:					
Contracts (Gulf Coast Water Authority)	\$ 18,017,006	\$ -	\$ (3,667,455)	\$ 14,349,551	\$ 2,755,278
Revenue bonds - water fund	9,725,494	-	(504,403)	9,221,091	525,200
Revenue bonds - sewer fund	13,789,509	-	(1,100,600)	12,688,909	1,129,800
General obligation bonds - water fund	7,777,310	-	(500,565)	7,276,745	497,515
General obligation bonds - sewer fund	7,662,375	-	(473,365)	7,189,010	469,515
Certificates of obligation	1,029,100	33,330,000	(1,004,300)	33,354,800	1,024,800
Unamortized bond issuance premium	5,747,309	2,072,456	(566,458)	7,253,307	-
	<u>63,748,103</u>	<u>35,402,456</u>	<u>(7,817,146)</u>	<u>91,333,413</u>	<u>6,402,108</u>
Other liabilities:					
Compensated absences	1,393,109	-	(59,099)	1,334,010	125,570
Total Business-type Activities	<u>\$ 65,141,212</u>	<u>\$ 35,402,456</u>	<u>\$ (7,876,245)</u>	<u>\$ 92,667,423</u>	<u>\$ 6,527,678</u>

* Beginning balances for fiscal year 2016 have been restated for a change in allocation of debt as described in Note 15 to the financial statements.

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	\$ 10,835,551
Series 2012 GCWA Contract Refunding Revenue Bonds	7,645,000	2022	2.3	3,514,000
Total Contracts (Gulf Coast Water Authority)				<u>\$ 14,349,551</u>
Revenue Bonds				
Series 2012 Waterworks and Sewer System Revenue and Refunding Bonds	6,180,000	2023	2.0 to 3.0	\$ 4,185,000
Series 2014 Waterworks and Sewer System Revenue and Refunding Bonds	19,640,000	2025	3.0 to 5.0	17,725,000
Total Revenue Bonds				<u>\$ 21,910,000</u>
General Obligation Bonds				
Series 2014 Obligation Refunding Bonds *	2,183,000	2023	2.0 to 4.0	\$ 1,061,586
Series 2016 Obligation Refunding Bonds *	14,904,169	2033	2.0 to 5.0	13,404,169
Total General Obligation Bonds				<u>\$ 14,465,755</u>
Certificates of Obligation				
Series 2008 Combination Tax and Revenue Bonds *	2,936,420	2033	4.3 to 5.3	\$ 524,800
Series 2017 Combination Tax and Revenue Bonds	33,330,000	2038	2.0 to 5.0	32,830,000
Total Certificates of Obligation				<u>\$ 33,354,800</u>

* The original issue was \$5,900,000 for the Series 2014 Obligation Refunding Bonds, \$17,365,000 for the Series 2016 Obligation Refunding Bonds and \$3,581,000 for the Series 2008 Combination Tax and Revenue 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
2018	\$ 1,655,000	\$ 988,600	\$ 2,755,000	\$ 586,267
2019	1,715,000	935,300	2,845,000	490,857
2020	1,780,000	869,500	2,965,000	371,943
2021	1,865,000	794,100	3,075,000	264,540
2022	1,945,000	714,950	2,709,551	135,262
2023-2027	7,815,000	2,399,800	-	-
2028-2032	5,135,000	521,750	-	-
	<u>\$ 21,910,000</u>	<u>\$ 7,224,000</u>	<u>\$ 14,349,551</u>	<u>\$ 1,848,869</u>

Year Ending Sept. 30	Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest
	2018	\$ 1,024,800	\$ 1,392,204	\$ 967,030
2019	500,000	1,359,900	1,529,010	628,079
2020	500,000	1,349,900	1,486,315	551,629
2021	695,000	1,339,900	774,900	477,307
2022	705,000	1,326,000	606,800	438,562
2023-2027	3,905,000	6,259,500	3,661,000	1,685,070
2028-2032	4,805,000	5,355,750	4,444,400	740,583
2033-2037	6,125,000	4,038,000	996,300	39,852
2038-2042	7,720,000	2,440,750	-	-
2043-2047	7,375,000	752,200	-	-
	<u>\$ 33,354,800</u>	<u>\$ 25,614,104</u>	<u>\$ 14,465,755</u>	<u>\$ 5,220,842</u>

The revenues in excess of operating expenditures of the combined Waterworks System and Sewer System Funds are pledged for repayment of the Business-type Activity Revenue Bonds. The pledge will remain in force for the term of the bonds.

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds			Total Debt Service	Revenues in Excess of Operating Expenses	Excess (Deficit)
	Principal	Interest				
2017	\$ 1,605,000	\$ 1,040,100	\$ 2,645,100	\$ 7,784,112	\$ 5,139,012	

Current Year Issuance of Debt – Business Type Activities

On February 15, 2017, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2017 in the amount of \$33,330,000 at interest rates ranging from 2.0% - 5.0%. The bonds were issued at a premium totaling \$2,072,456, generating \$35 million in construction proceeds for the acquisition, construction and installation of certain improvements to the City waterworks and sanitary sewer system. The proceeds of the bonds also were 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, 2017 is \$14,265,000.

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 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 funds.

On October 30, 2013, the City entered into a contract with GCWA whereby GCWA issued \$7,645,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2012. This will repay its outstanding Series 2002 and 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 Fund.

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, 2017, is as follows:

	Balance September 30, 2016	Increases	(Decreases)	Balance September 30, 2017	Amounts Due Within One Year
Bayside at Waterman's PID					
Special assessment revenue bonds	\$ 9,600,000	\$ -	\$ (150,000)	\$ 9,450,000	\$ 150,000
	<u>\$ 9,600,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 9,450,000</u>	<u>\$ 150,000</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	\$ 9,450,000
Total Bayside at Waterman's PID Bonds				<u>\$ 9,450,000</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
2018	\$ 150,000	\$ 562,938
2019	150,000	554,500
2020	175,000	546,063
2021	175,000	536,219
2022	200,000	526,375
2023-2027	1,125,000	2,454,687
2028-2032	1,500,000	2,092,344
2033-2037	2,000,000	1,589,375
2038-2042	2,675,000	908,969
2043-2044	1,300,000	120,968
	<u>\$ 9,450,000</u>	<u>\$ 9,892,438</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 delinquent assessments and that is being done through the City's delinquent tax collections firm.

Note 9 - Fund Equity

	Deficit Balance
Non-Major Governmental Funds:	
Special Revenue funds:	
Parks and recreation Improvement	\$ (280,365)
HUD Entitlement Grants	(14,770)

Deficit fund balances reported by the funds above are the result of timing differences between the funding agencies and local grantee qualifying outlays. Deficits in each of these funds are considered temporary and expected to be relieved during the next fiscal year.

Internal Service Funds:	
Health and Life Insurance Fund	\$ (1,834,765)

Net deficit reported by the fund above reflects the inclusion of the value of future benefits to be provided to retirees prior to their eligibility for Medicare. The City expects to develop a funding strategy for this in the immediate future.

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.

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, 2017, 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>
2016	\$ 780,889	\$ 241,552	\$ (332,969)	\$ 689,472
2017	689,472	116,887	(220,481)	585,878

Employee Health Insurance

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

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

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Current Year Payments</u>	<u>End of Year Accrual</u>
2016	\$ 440,623	\$ 3,992,405	\$ (3,879,043)	\$ 553,985
2017	553,985	4,467,145	(4,210,614)	810,516

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 \$0.5746 per 1000 gallons pumped. GCWA also makes improvements to the plant and its distribution system

with bond proceeds, and Galveston pays its proportional share of this debt service to GCWA (see Note 8). In FY 2017, the City paid GCWA \$11.25 million for debt service, water rights and water consumption.

Note 13 - Post-Employment Benefits Other Than Pensions

Plan Description

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

Funding Policy and Annual OPEB Cost

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

The City’s annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

Determination of Net OPEB Obligation (NOO)	
Annual required contribution	\$ 820,920
Interest on net OPEB obligation	138,098
Adjustment to ARC	<u>(134,531)</u>
Annual OPEB cost	824,487
Less contributions made	<u>(227,955)</u>
Increase in net OPEB obligation	596,532
Net OPEB obligation – beginning of year	<u>3,452,457</u>
Net OPEB obligation – end of year	<u>\$ 4,048,989</u>

The City’s annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 824,487	\$ 227,955	27.6%	\$ 4,048,989
2016	587,500	485,457	82.6%	3,452,457
2015	569,819	300,022	52.7%	3,350,414

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2016	\$ -	\$ 7,870,008	\$ 7,870,008	0.00%	\$ 44,523,522	17.7%

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 \$7,870,008 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 17.7%.

Actuarial Methods and Assumptions

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

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

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

Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

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

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

Note 14 - Employee Retirement System

Plan Descriptions

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

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

These pension plans were established under the authority of Title 8, Subchapter A of the Texas Government Code, Texas statutes (Vernon's Texas Civil Statutes, Articles 6243p and 6243e respectively) which establish the various benefit provisions. Independent Boards of Trustees administer each plan. The fiscal year of each pension fund ends December 31. The most recent available stand-alone financial statements of the pension funds are for the year ended December 31, 2016. The specific summary plan description for each Plan and the financial statements are available at the respective plan offices.

Benefits Provided

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

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

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

Early Retirement - A Group B member shall be eligible for an unreduced Early Retirement Pension at age 50 with twenty years of service. A Group B member shall also be eligible for a reduced pension at age 45 with twenty years of service. The benefit multiplier of 2.11% of average monthly base pay multiplied by the years of benefit service, limited to 30 years applies to early retirement as well.

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, 2017 were as follows:

	<u>Employees Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Police Pension Plan</u>
Retirees and beneficiaries currently receiving benefits	334	85	145
Terminated employees entitled to but not receiving benefits	57	1	16
Terminated employees entitled to only a refund of contributions	175	-	-
Active Employees	<u>510</u>	<u>115</u>	<u>144</u>
Total Participants	<u><u>1,076</u></u>	<u><u>201</u></u>	<u><u>305</u></u>

Contributions

Contribution rates for the City and employees for the fiscal year ended September 30, 2017 were as follows:

	<u>Employees Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Police Pension Plan</u>
Participant contribution	6.00%	16.00%	12.00%
City contribution	9.00%	14.00%	12.83%

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Plans' Fiduciary Net Position is determined on the same basis used by the pension plans.

	<u>Employees Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Police Pension Plan</u>
Total Pension Liability	\$ 61,089,640	\$ 62,411,518	\$ 50,353,459
Fiduciary Net Position	<u>45,640,194</u>	<u>40,155,474</u>	<u>19,784,817</u>
Net Pension Liability	<u><u>\$ 15,449,446</u></u>	<u><u>\$ 22,256,044</u></u>	<u><u>\$ 30,568,642</u></u>
Fiduciary net position as a percentage of total pension liability	75%	64%	39%

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, 2016 (measurement year):

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
	<u>2016</u>	<u>2016</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 1,782,456	\$ 1,323,916	\$ 1,106,580
Interest	4,388,324	4,960,114	3,834,917
Effect of plan changes	-	(1,279,046)	-
Difference between expected and actual experience	(1,388,765)	(502,594)	519,531
Change in assumptions	1,539,868	(1,141,246)	223,990
Benefit payments, including refunds of employee contributions	<u>(3,921,559)</u>	<u>(3,254,265)</u>	<u>(4,322,870)</u>
Net change in total pension liability	2,400,324	106,879	1,362,148
Total pension liability - beginning	58,689,316	62,304,639	48,991,311
Total pension liability - ending (a)	<u>\$ 61,089,640</u>	<u>\$ 62,411,518</u>	<u>\$ 50,353,459</u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,059,527	\$ 1,072,865	\$ 1,255,887
Contributions - employee	1,371,184	1,226,133	1,255,887
Net investment income	3,333,830	2,187,709	1,493,582
Benefit payments, including refunds of employee contributions	(3,921,559)	(3,254,265)	(4,322,870)
Administrative expense	<u>(145,136)</u>	<u>(103,459)</u>	<u>(126,111)</u>
Net change in plan fiduciary net position	2,697,846	1,128,983	(443,625)
Plan fiduciary net position - beginning	42,942,348	39,026,491	20,228,442
Plan fiduciary net position - ending (b)	<u>\$ 45,640,194</u>	<u>\$ 40,155,474</u>	<u>\$ 19,784,817</u>
Net pension liability - ending (a) - (b)	<u>\$ 15,449,446</u>	<u>\$ 22,256,044</u>	<u>\$ 30,568,642</u>

Pension Expense

For the year ended September 30, 2017, the City recognized total pension expense of \$6,932,077. Pension expense recognized by plan is as follows:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan
Service Cost	\$ 1,782,456	\$ 1,323,916	\$ 1,106,580
Interest on Total Pension Liability	4,388,324	4,960,114	3,834,917
Effect of plan changes	-	(1,279,046)	-
Administrative expenses	145,136	103,459	126,111
Member contributions	(1,371,184)	(1,226,133)	(1,255,887)
Expected investment return net of investment expenses	(3,196,827)	(3,079,770)	(1,540,789)
Recognition of economic/demographic gains or losses	879,151	(36,589)	26,784
Recognition of assumption changes or inputs	604,279	(130,493)	(251,406)
Differences between projected and actual earnings on plan investments	(605,142)	997,974	626,142
Pension Expense	<u>\$ 2,626,193</u>	<u>\$ 1,633,432</u>	<u>\$ 2,672,452</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, 2017 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	\$ -	\$ 1,717,551	\$ 216,165	\$ 439,926	\$ 553,229	\$ 280,944	\$ 769,394	\$ 2,438,421
Changes of assumptions	2,122,830	-	97,869	998,946	607,482	1,412,444	2,828,181	2,411,390
Difference between projected and actual earnings	2,668,694	-	3,803,544	-	1,713,372	-	8,185,610	-
Employers contribution subsequent to measurement date	1,658,281	-	797,897	-	1,005,740	-	3,461,918	-
	<u>\$ 6,449,805</u>	<u>\$ 1,717,551</u>	<u>\$ 4,915,475</u>	<u>\$ 1,438,872</u>	<u>\$ 3,879,823</u>	<u>\$ 1,693,388</u>	<u>\$ 15,245,103</u>	<u>\$ 4,849,811</u>

The \$3,461,918 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, 2018. 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	Police Pension Plan	Fire Fighters Pension Plan	Total
2018	\$ (1,034,653)	\$ (401,520)	\$ (1,146,497)	\$ (2,582,670)
2019	(1,034,651)	(401,520)	(1,146,496)	(2,582,667)
2020	(965,060)	(227,021)	(830,892)	(2,022,973)
2021	(25,624)	126,051	(11,331)	89,096
2022	(13,985)	(199,000)	167,082	(45,903)
thereafter	-	(77,685)	289,428	211,743
	<u>\$ (3,073,973)</u>	<u>\$ (1,180,695)</u>	<u>\$ (2,678,706)</u>	<u>\$ (6,933,374)</u>

Assumptions and other data

Discount Rate

The discount rates reported are based on certified actuarial reports and are used to measure the total pension liability as of December 31, 2016 which is 7.5% for the Employees Pension Plan and 8.0% for the Police and Firefighters Pension Plans. The discount rate is an assumption that generally is not required to be updated between actuarial valuations dates.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employees Pension Plan	\$ 22,168,503	\$ 15,449,446	\$ 10,275,476
	(6.75%)	(8.00%)	(8.75%)
Police Pension Plan	\$ 36,494,393	\$ 30,568,642	\$ 25,630,885
	(7.00%)	(8.00%)	(9.00%)
Fire Fighters Pension Plan	\$ 27,995,882	\$ 22,256,044	\$ 20,705,010

Note 15 - Prior Period Adjustments

During the year ended September 30, 2017 the City changed the way it allocated certain long-term debt liabilities and corrected prior year outstanding receivable balances and allowance for uncollectible utility receivables.

	Fund Level				
	Government-wide Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds		
	Governmental Activities	Business-type Activities	Waterworks	Sewer	Other Enterprise Funds
Net position at September 30, 2016, as previously reported	\$ 127,171,848	\$ 272,046,806	\$ 86,517,024	\$ 146,603,654	\$ 35,917,209
Correction of accounts receivable, allowance for doubtful accounts and allocation of long-term debt	18,629,431	(17,680,646)	(10,868,744)	(8,427,856)	-
Net position at September 30, 2016, as restated	<u>\$ 145,801,279</u>	<u>\$ 254,366,160</u>	<u>\$ 75,648,280</u>	<u>\$ 138,175,798</u>	<u>\$ 35,917,209</u>

Note 16 - Litigation/Contingency

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek damages that could impact the operations of the City. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; breach of contract and various claims from contractors for additional amounts under construction contracts. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City.

The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. However, in respect to the lawsuit styled *CDM Smith v. City of Galveston et. al.* in the 56th Judicial District Court of Galveston County Texas, the Plaintiff has alleged breach of contract and seeks up to \$26M in damages. The City strongly denies liability and is defending the case vigorously but cannot predict the outcome of the case. Certain jurisdictional issues have been decided and the case has been returned to the trial court for discovery.

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

Note 17 - Subsequent Events**Hurricane Harvey**

Hurricane Harvey made landfall in Texas on August 25, 2017 and a major disaster declaration for the State of Texas was issued. The City expects to spend \$3.8 million on Hurricane Harvey related expenses. This includes \$1.0 in costs incurred in FY 2017 for protective measures and debris removal and disposal, with the remaining \$2.8 million budgeted in FY 2018 for repairs to City properties and infrastructure.

The City is required to pay cash for its Harvey related costs up front and receive reimbursement later. The City expects to submit for approval and ultimately receive reimbursement for \$3.05 million of the debris removal and repair costs. The FY 2018 budget was restructured so that fund balance reserves from every operating fund were used on an as-needed basis for this purpose. A Hurricane Harvey Special Fund was presented at the February 22, 2018 City Council meeting as a part of the first FY 2018 budget amendment to provide a single focus point for all Hurricane Harvey related expenses as they are approved through the normal procurement and Council Agenda process.

CDBG Disaster Recovery Program

The scope of various projects (primarily Wastewater Treatment Plant and Fire Station #1) were originally approved and paid for with funding from the CDBG Disaster Fund Non-Housing fund. FEMA later agreed to pay for a portion of the construction of these projects. The CDBG funding applicable to these projects in the amount of \$2.8 million was returned to the Department of Housing and Urban Development on November 9, 2017. The City has received written confirmation that the General Land Office is preparing an amendment to the CDBG Disaster Recovery grant contract with the City of Galveston reallocating the \$2.8 million to another Galveston recovery-eligible project.

Required Supplementary Information

2017 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, 2017

	<i>General Fund</i>			
	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 23,711,400	\$ 23,711,400	\$ 23,763,468	\$ 52,068
Sales tax	15,450,000	15,450,000	15,197,449	(252,551)
Franchise and other taxes	6,316,600	6,316,600	6,542,201	225,601
Licenses and permits	1,409,400	1,409,400	1,142,579	(266,821)
Fines and forfeitures	1,845,100	1,845,100	1,578,365	(266,735)
Charges for services	1,679,100	1,679,100	1,649,312	(29,788)
Investment earnings	100,000	100,000	118,666	18,666
Intergovernmental	188,000	188,000	188,561	561
Other	717,400	717,400	763,347	45,947
Total Revenues	<u>51,417,000</u>	<u>51,417,000</u>	<u>50,943,948</u>	<u>(473,052)</u>
General government				
Legislative	570,774	525,774	522,563	3,211
Judicial	740,515	660,515	657,949	2,566
Executive	831,001	746,001	741,626	4,375
City auditor	278,291	278,291	263,867	14,424
Finance	1,948,581	1,673,581	1,604,070	69,511
Legal	884,180	744,180	739,630	4,550
Personnel	443,025	491,025	490,635	390
Taxation	255,314	343,314	340,181	3,133
Total general government	<u>5,951,681</u>	<u>5,462,681</u>	<u>5,360,521</u>	<u>102,160</u>
Public safety				
Police	17,630,311	18,872,966	18,863,966	9,000
Fire	10,403,346	10,848,346	10,843,447	4,899
Emergency management	230,185	230,185	216,387	13,798
Emergency medical service	566,400	566,500	566,452	48
City marshal	56,092	56,092	54,378	1,714
Total public safety	<u>28,886,334</u>	<u>30,574,089</u>	<u>30,544,630</u>	<u>29,459</u>
Public works and traffic	3,762,568	3,712,568	3,690,672	21,896
Culture and recreation	2,713,867	2,658,867	2,639,135	19,732
Planning and community development	2,450,205	2,303,205	2,273,357	29,848
Transportation system	970,000	970,000	916,788	53,212
Capital outlay	1,283,000	1,455,548	1,292,615	162,933
Governmental expenditures	9,649,683	3,723,412	1,201,560	2,521,852
Facilities maintenance	1,752,426	1,752,426	1,736,277	16,149
Total expenditures	<u>57,419,764</u>	<u>52,612,796</u>	<u>49,655,555</u>	<u>2,957,241</u>
Other Financing Sources (Uses)				
Transfers in	650,000	650,000	650,000	-
Infrastructure and debt service	(2,604,850)	(2,604,850)	(2,604,850)	-
Pension reform	-	(2,292,000)	(2,292,000)	-
Sale of capital assets	30,000	30,000	86,142	56,142
Total Other Financing Sources (Uses)	<u>(1,924,850)</u>	<u>(4,216,850)</u>	<u>(4,160,708)</u>	<u>56,142</u>
Net change in fund balance	(7,927,614)	(5,412,646)	(2,872,315)	2,540,331
Fund balance - beginning	<u>20,659,210</u>	<u>20,659,210</u>	<u>20,659,210</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,731,596</u>	<u>\$ 15,246,564</u>	<u>\$ 17,786,895</u>	<u>\$ 2,540,331</u>

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

*Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Three Measurement Years*

	Employees' Retirement Plan for City Employees		
	2016	2015	2014
Total pension liability:			
Service cost	\$ 1,782,456	\$ 2,036,695	\$ 2,184,793
Interest	4,388,324	4,465,817	4,291,727
Effect of plan changes	-	-	-
Difference between expected and actual experience	(1,388,765)	(932,848)	-
Change in assumptions	1,539,868	1,385,114	-
Benefit payments, including refunds of employee contributions	(3,921,559)	(4,102,964)	(3,820,447)
Net change in total pension liability	2,400,324	2,851,814	2,656,073
Total pension liability - beginning	58,689,316	55,837,502	53,181,429
Total pension liability - ending (a)	<u>\$ 61,089,640</u>	<u>\$ 58,689,316</u>	<u>\$ 55,837,502</u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,059,527	\$ 1,968,772	\$ 1,836,025
Contributions - employee	1,371,184	1,315,516	1,224,018
Net investment income	3,333,830	(856,751)	1,803,409
Benefit payments, including refunds of employee contributions	(3,921,559)	(4,102,964)	(3,820,447)
Administrative expense	(145,136)	(127,457)	(123,414)
Net change in plan fiduciary net position	2,697,846	(1,802,884)	919,591
Plan fiduciary net position - beginning	42,942,348	44,745,232	43,825,641
Plan fiduciary net position - ending (b)	<u>\$ 45,640,194</u>	<u>\$ 42,942,348</u>	<u>\$ 44,745,232</u>
Net pension liability - ending (a) - (b)	<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	74.71%	73.17%	80.13%
Covered employee payroll	\$ 22,896,440	\$ 21,925,267	\$ 20,400,300
Net pension liability as a percentage of covered employee payroll	67.48%	71.82%	54.37%
Annual money-weighted rate of return net of investment expense	7.75%	-2.94%	4.96%

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		
2016	2015	2014	2016	2015	2014
\$ 1,323,916	\$ 1,271,356	\$ 1,216,609	\$ 1,106,580	\$ 1,054,361	\$ 1,140,739
4,960,114	4,715,969	4,523,782	3,834,917	3,646,049	3,669,170
(1,279,046)	-	-	-	-	-
(502,594)	268,323	-	519,531	157,590	(502,743)
(1,141,246)	121,483	-	223,990	590,641	(2,527,532)
<u>(3,254,265)</u>	<u>(3,501,502)</u>	<u>(3,151,223)</u>	<u>(4,322,870)</u>	<u>(4,114,277)</u>	<u>(3,808,422)</u>
106,879	2,875,629	2,589,168	1,362,148	1,334,364	(2,028,788)
62,304,639	59,429,010	56,839,842	48,991,311	47,656,947	49,685,735
<u>\$ 62,411,518</u>	<u>\$ 62,304,639</u>	<u>\$ 59,429,010</u>	<u>\$ 50,353,459</u>	<u>\$ 48,991,311</u>	<u>\$ 47,656,947</u>
\$ 1,072,865	\$ 996,543	\$ 986,610	\$ 1,255,887	\$ 1,257,637	\$ 1,240,469
1,226,133	1,138,906	1,127,549	1,255,887	1,254,637	1,240,469
2,187,709	(848,619)	1,486,347	1,493,582	(486,296)	1,101,143
(3,254,265)	(3,501,502)	(3,151,223)	(4,322,870)	(4,114,277)	(3,808,422)
(103,459)	(113,486)	(133,008)	(126,111)	(86,285)	(85,937)
<u>1,128,983</u>	<u>(2,328,158)</u>	<u>316,275</u>	<u>(443,625)</u>	<u>(2,174,584)</u>	<u>(312,278)</u>
39,026,491	41,354,649	41,038,374	20,228,442	22,403,026	22,715,304
<u>\$ 40,155,474</u>	<u>\$ 39,026,491</u>	<u>\$ 41,354,649</u>	<u>\$ 19,784,817</u>	<u>\$ 20,228,442</u>	<u>\$ 22,403,026</u>
<u>\$ 22,256,044</u>	<u>\$ 23,278,148</u>	<u>\$ 18,074,361</u>	<u>\$ 30,568,642</u>	<u>\$ 28,762,869</u>	<u>\$ 25,253,921</u>
39.29%	62.64%	69.59%	64.34%	41.29%	47.01%
\$ 7,382,664	\$ 7,118,164	\$ 7,044,338	\$ 10,443,512	\$ 10,455,308	\$ 10,337,242
301.46%	327.02%	256.58%	292.70%	275.10%	244.30%
5.68%	-2.09%	4.16%	3.59%	-2.26%	7.75%

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

	Employees' Retirement Plan for City Employees					
	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$ 2,177,518	\$ 2,024,974	\$ 2,278,432	\$ 2,040,170	\$ 2,108,505	\$ 2,026,248
Contribution in relation to the actuarially required contribution	\$ 2,177,518	\$ 2,024,974	\$ 1,858,266	\$ 1,836,025	\$ 1,583,356	\$ 1,616,976
Contribution deficiency (excess)	\$ -	\$ -	\$ 420,166	\$ 204,145	\$ 525,149	\$ 409,272
Covered employee payroll	\$ 23,932,061	\$ 22,499,711	\$ 20,647,326	\$ 20,400,300	\$ 17,592,844	\$ 17,966,400
Contributions as a percentage of covered employee payroll	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%

	Galveston Firefighters' Pension Fund					
	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution in relation to the contractually required contribution	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$ 7,733,848	\$ 7,313,957	\$ 7,036,850	\$ 7,044,338	\$ 6,756,748	\$ 6,564,000
Contributions as a percentage of covered employee payroll	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%

	Employees' Retirement Plan for Police					
	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,407,567	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution in relation to the contractually required contribution	\$ 1,407,567	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$ 10,815,095	\$ 10,414,292	\$ 9,896,098	\$ 10,337,242	\$ 9,281,758	\$ 9,308,825
Contributions as a percentage of covered employee payroll	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**Notes to Schedule of Contributions****For the Year Ended December 31, 2016**

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
Valuation Date:	31-Dec-16	31-Dec-16	31-Dec-16
<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, closed.	Level percentage of payroll, closed.
Inflation	3.25%	3.00%	4.00%
Investment rate of return	7.5%	7.75	8.0%
Administrative expense	Assumed to increase 4.0% per year.	Assumed to increase 4.0% per year.	0.50% per annum
Salary increases	3.25%, plus promotion, step and longevity increases that vary by service	3% plus promotion, step and longevity increase	4.00% per annum for wage inflation. 6.24% grading down to 0.00% per annum for longevity and promotion based on years of service. The total annual assumed salary increase for wage inflation plus longevity and promotion is based on years of service.
Mortality rates	RP-2000 Mortality Table, projected to 2015 using Scale AA, with the separate rates for males and females.	RP-2000 Mortality Table, projected to 2015 using Scale AA, with the separate rates for males and females.	RP-2000 Blue Collar Mortality Table for males and females projected with Scale AA to the measurement date plus 10 years.

REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION

City of Galveston Retiree Health Plan (Unaudited)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 4,573,093	\$ 4,573,093	0.00%	\$ 36,230,562	12.6%
12/31/2012	\$ -	\$ 4,199,878	\$ 4,199,878	0.00%	\$ 33,839,225	12.4%
12/31/2014	\$ -	\$ 5,055,197	\$ 5,055,197	0.00%	\$ 37,781,880	13.4%
12/31/2016	\$ -	\$ 7,870,008	\$ 7,870,008	0.00%	\$ 44,523,522	17.7%

Combining and Individual Fund Statements and Schedules

2017 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 – 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 federal and state revenues designated for special programs; including annual 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.

Downtown Parking 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 – 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 grant monies restricted for governmental public safety 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.

Recovery 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.

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

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.

General Obligation Bond Capital Projects – To account for capital outlay financed by the proceeds from the General Obligation and Refunding Bonds, Series 2001 and Series 2005.

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

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, 2017

	Island Transit	Rosenberg Library	Parks and Recreation Improvement Fund	Housing & Urban Development Entitlement Grants Fund
Assets				
Cash and cash equivalents	\$ 200	\$ 16,129	\$ -	\$ 1,925,080
Receivables (net of allowance for uncollectibles)	309,818	84,585	-	862,485
Due from other governments	353,643	-	8,865	876,090
Due from other funds	-	-	-	31,805
Inventories	351,600	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>1,015,261</u>	<u>100,714</u>	<u>8,865</u>	<u>3,695,460</u>
Liabilities				
Accounts payable	52,493	16,129	-	245,907
Accrued expenditures	-	-	-	-
Due to other funds	832,889	-	289,230	1,411,159
Payable to other governments	-	-	-	2,348
Unearned Revenue	-	-	-	2,028,875
Total Liabilities	<u>885,382</u>	<u>16,129</u>	<u>289,230</u>	<u>3,688,289</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	84,585	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>84,585</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	129,879	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	-	-
Grants	-	-	-	7,171
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	-	-	(280,365)	-
Unassigned	-	-	-	-
Total Fund Balance	<u>129,879</u>	<u>-</u>	<u>(280,365)</u>	<u>7,171</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,015,261</u>	<u>\$ 100,714</u>	<u>\$ 8,865</u>	<u>\$ 3,695,460</u>

Project Specific Programs	Convention Center Operations Fund	Cable Public Television Education & Government Fund	CDBG Disaster Fund Housing	Downtown Parking Fund	Seawall Parking Fund
\$ 480,378	\$ 3,280,211	\$ 665,518	\$ -	\$ 365,333	\$ 1,138,618
714,573	-	41,000	9,104	-	-
1,475,664	-	-	1,732,002	-	74,286
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,670,615</u>	<u>3,280,211</u>	<u>706,518</u>	<u>1,741,106</u>	<u>365,333</u>	<u>1,212,904</u>
2,232,017	1,205,670	12,751	-	3,492	-
-	-	-	-	-	-
66,873	1,302,943	-	1,755,876	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,298,890</u>	<u>2,508,613</u>	<u>12,751</u>	<u>1,755,876</u>	<u>3,492</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	771,598	-	-	-	-
-	-	693,767	-	361,841	-
371,725	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(14,770)	-	-
<u>371,725</u>	<u>771,598</u>	<u>693,767</u>	<u>(14,770)</u>	<u>361,841</u>	<u>1,212,904</u>
<u>\$ 2,670,615</u>	<u>\$ 3,280,211</u>	<u>\$ 706,518</u>	<u>\$ 1,741,106</u>	<u>\$ 365,333</u>	<u>\$ 1,212,904</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2017

	Arts and Historical	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus Fund
Assets				
Cash and cash equivalents	\$ 764,791	\$ 1,822,696	\$ 488,082	\$ -
Receivables (net of allowance for uncollectibles)	9,934	-	-	-
Due from other governments	-	-	125,861	-
Due from other funds	11,085	-	-	1,155,670
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>785,810</u>	<u>1,822,696</u>	<u>613,943</u>	<u>1,155,670</u>
Liabilities				
Accounts payable	32,845	32,373	107,658	10,400
Accrued expenditures	-	-	-	-
Due to other funds	-	-	125,861	78,952
Payable to other governments	-	-	-	-
Unearned Revenue	-	-	1,980	-
Total Liabilities	<u>32,845</u>	<u>32,373</u>	<u>235,499</u>	<u>89,352</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	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	-	-
Grants	-	-	378,444	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	1,066,318
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	752,965	1,790,323	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>752,965</u>	<u>1,790,323</u>	<u>378,444</u>	<u>1,066,318</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 785,810</u>	<u>\$ 1,822,696</u>	<u>\$ 613,943</u>	<u>\$ 1,155,670</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2017

	Technology Replacement Fund	General Obligation Bonds 2001 & 2005 Capital Projects	Island Transit Capital Projects	Industrial Development Corporation Beach Renourishment Fund
Assets				
Cash and cash equivalents	\$ 1,047,040	\$ -	\$ 4,040,161	\$ 3,620,254
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	-	-	1,019,806	208,535
Due from other funds	-	-	-	616
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	<u>1,047,040</u>	<u>-</u>	<u>5,059,967</u>	<u>3,829,405</u>
Liabilities				
Accounts payable	78,949	-	803,855	4,147
Accrued expenditures	-	-	181,074	-
Due to other funds	-	-	75,018	-
Payable to other governments	-	-	-	-
Unearned Revenue	-	-	15,927	-
Total Liabilities	<u>78,949</u>	<u>-</u>	<u>1,075,874</u>	<u>4,147</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	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	3,984,093	3,825,258
Grants	-	-	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	968,091	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>968,091</u>	<u>-</u>	<u>3,984,093</u>	<u>3,825,258</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,047,040</u>	<u>\$ -</u>	<u>\$ 5,059,967</u>	<u>\$ 3,829,405</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
\$ 5,228,955	\$ 4,452,804	\$ 4,180,604	\$ 3,578,912	\$ 2,591,125	\$ 51,172,940
-	-	-	68,479	-	2,099,978
208,535	208,535	208,535	-	-	6,547,106
616	616	616	-	147,272	3,104,171
-	-	-	-	-	351,600
-	-	-	-	-	-
<u>5,438,106</u>	<u>4,661,955</u>	<u>4,389,755</u>	<u>3,647,391</u>	<u>2,738,397</u>	<u>63,275,795</u>
168,870	311,662	432,831	-	-	6,446,532
-	-	49,540	-	-	282,083
-	-	-	-	-	5,938,801
-	-	-	-	-	2,348
-	-	-	1,908,634	-	3,955,416
<u>168,870</u>	<u>311,662</u>	<u>482,371</u>	<u>1,908,634</u>	<u>-</u>	<u>16,625,180</u>
-	-	-	68,479	-	153,064
-	-	-	68,479	-	153,064
-	-	-	-	-	129,879
-	-	-	1,670,278	2,738,397	4,408,675
-	-	-	-	-	1,212,904
-	-	-	-	-	4,393,781
5,269,236	4,350,293	3,907,384	-	-	21,336,264
-	-	-	-	-	385,615
-	-	-	-	-	1,837,916
-	-	-	-	-	1,055,608
-	-	-	-	-	5,404,901
-	-	-	-	-	6,346,778
-	-	-	-	-	(14,770)
<u>5,269,236</u>	<u>4,350,293</u>	<u>3,907,384</u>	<u>1,670,278</u>	<u>2,738,397</u>	<u>46,497,551</u>
<u>\$ 5,438,106</u>	<u>\$ 4,661,955</u>	<u>\$ 4,389,755</u>	<u>\$ 3,647,391</u>	<u>\$ 2,738,397</u>	<u>\$ 63,275,795</u>

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

For the Year Ended September 30, 2017

	Island Transit	Rosenberg Library	Parks and Recreation Improvement Fund	Housing & Urban Development Entitlement Grants Fund
Revenues				
Property taxes	\$ -	\$ 2,698,029	\$ -	\$ -
Sales and use taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	1,324,555	-	-	-
Investment earnings	-	-	-	14
Intergovernmental	3,119,987	-	-	1,036,855
Other	-	-	8,865	40,602
Total revenues	<u>4,444,542</u>	<u>2,698,029</u>	<u>8,865</u>	<u>1,077,471</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	8,685
Highway and roads	-	-	-	-
Culture and recreation	-	2,698,029	45,742	-
Planning and community development	-	-	-	1,027,354
Transportation	4,627,291	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Bond issuance cost	-	-	-	-
Capital Outlay	-	-	9,730	21,166
Total expenditures	<u>4,627,291</u>	<u>2,698,029</u>	<u>55,472</u>	<u>1,057,205</u>
Excess (deficiency) of revenues over expenditures	<u>(182,749)</u>	<u>-</u>	<u>(46,607)</u>	<u>20,266</u>
Other Financing Sources (Uses)				
Proceeds from bonds sales	-	-	-	-
Premiums on bonds	-	-	-	-
Payment to escrow agent	-	-	-	-
Sale of capital assets	225	-	-	-
Transfers in	200,000	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>200,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	17,476	-	(46,607)	20,266
Fund balance - beginning	<u>112,403</u>	<u>-</u>	<u>(233,758)</u>	<u>(13,095)</u>
Prior period adjustments	-	-	-	-
Fund balance - ending	<u>\$ 129,879</u>	<u>\$ -</u>	<u>\$ (280,365)</u>	<u>\$ 7,171</u>

Project Specific Programs	Convention Center Operations Fund	Cable Television Public Education & Government Fund	CDBG Disaster Fund Housing	Downtown Parking Fund	Seawall Parking Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,584,005	-	-	-	-
9,471	-	-	-	-	-
-	-	168,731	-	725,691	152,284
12,179	3,169	2,686	-	971	3,876
919	-	-	-	-	-
626,813	-	-	-	-	-
<u>649,382</u>	<u>7,587,174</u>	<u>171,417</u>	<u>-</u>	<u>726,662</u>	<u>156,160</u>
-	-	-	-	-	-
28,837	-	-	-	-	-
-	-	-	-	-	-
4,336	7,528,884	9,818	-	373,681	-
-	-	-	2	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,089,207	-	32,290	-	14,999	-
<u>4,122,380</u>	<u>7,528,884</u>	<u>42,108</u>	<u>2</u>	<u>388,680</u>	<u>-</u>
<u>(3,472,998)</u>	<u>58,290</u>	<u>129,309</u>	<u>(2)</u>	<u>337,982</u>	<u>156,160</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
146,608	-	-	-	-	-
2,403	-	-	-	-	-
<u>149,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,323,987)</u>	<u>58,290</u>	<u>129,309</u>	<u>(2)</u>	<u>337,982</u>	<u>156,160</u>
<u>3,695,712</u>	<u>713,308</u>	<u>564,459</u>	<u>(14,768)</u>	<u>23,859</u>	<u>1,056,745</u>
-	-	-	-	-	-
<u>\$ 371,725</u>	<u>\$ 771,598</u>	<u>\$ 693,768</u>	<u>\$ (14,770)</u>	<u>\$ 361,841</u>	<u>\$ 1,212,905</u>

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

For the Year Ended September 30, 2017

	Arts and Historical	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	231,490	-	-	2,154,105
Fines and forfeitures	-	-	-	-
Charges for services	-	-	84,105	-
Investment earnings	-	12,571	2,288	-
Intergovernmental	-	-	350,413	-
Other	-	-	60,520	-
Total revenues	<u>231,490</u>	<u>12,571</u>	<u>497,326</u>	<u>2,154,105</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	512,259	-
Highway and roads	-	-	-	-
Culture and recreation	86,551	-	-	823,075
Planning and community development	-	354,327	-	-
Transportation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Bond issuance cost	-	-	-	-
Capital Outlay	<u>15,758</u>	<u>707,464</u>	<u>72,473</u>	<u>-</u>
Total expenditures	<u>102,309</u>	<u>1,061,791</u>	<u>584,732</u>	<u>823,075</u>
Excess (deficiency) of revenues over expenditures	<u>129,181</u>	<u>(1,049,220)</u>	<u>(87,406)</u>	<u>1,331,030</u>
Other Financing Sources (Uses)				
Proceeds from bonds sales	-	-	-	-
Premiums on bonds	-	-	-	-
Payment to escrow agent	-	-	-	-
Sale of capital assets	-	-	1,107	-
Transfers in	-	-	132,309	-
Transfers (out)	-	-	(74,309)	(3,638,106)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>59,107</u>	<u>(3,638,106)</u>
Net change in fund balance	129,181	(1,049,220)	(28,299)	(2,307,076)
Fund balance - beginning	623,784	2,839,543	406,742	3,373,395
Prior period adjustments	-	-	-	-
Fund balance - ending	<u>\$ 752,965</u>	<u>\$ 1,790,323</u>	<u>\$ 378,443</u>	<u>\$ 1,066,319</u>

Infrastructure & Debt Service Fund	Judicial Programs	Lasker Pool	Pension Reform Fund	Recovery and Capital Reserve Fund	Separation Pay Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	79,315	-	-	-	-
-	-	7,345	-	-	-
16,959	1,175	1,050	4,582	25,675	-
1,149,828	-	-	-	-	-
-	-	-	-	18,804	-
<u>1,166,787</u>	<u>80,490</u>	<u>8,395</u>	<u>4,582</u>	<u>44,479</u>	<u>-</u>
260,506	74,752	-	41,024	767,351	984,089
-	-	-	-	-	-
-	-	112,760	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,621,416	-	-	-	-	-
<u>2,881,922</u>	<u>74,752</u>	<u>112,760</u>	<u>41,024</u>	<u>767,351</u>	<u>984,089</u>
(1,715,135)	5,738	(104,365)	(36,442)	(722,872)	(984,089)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,604,850	-	250,000	2,292,000	-	1,018,730
-	-	-	-	(642,321)	-
<u>2,604,850</u>	<u>-</u>	<u>250,000</u>	<u>2,292,000</u>	<u>(642,321)</u>	<u>1,018,730</u>
889,715	5,738	145,635	2,255,558	(1,365,193)	34,641
3,504,065	252,125	250,000	-	6,398,368	-
-	-	-	-	-	172,067
<u>\$ 4,393,780</u>	<u>\$ 257,863</u>	<u>\$ 395,635</u>	<u>\$ 2,255,558</u>	<u>\$ 5,033,175</u>	<u>\$ 206,708</u>

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

For the Year Ended September 30, 2017

	Technology Replacement Fund	General Obligation Bonds 2001 & 2005 Capital Projects	Island Transit Capital Projects	Industrial Development Corporation Beach Renourishment Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	1,266,454
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	2,897	650	16,188	16,623
Intergovernmental	-	-	4,137,753	-
Other	-	-	243,683	384,351
Total revenues	<u>2,897</u>	<u>650</u>	<u>4,397,624</u>	<u>1,667,428</u>
Expenditures				
Current:				
General government	-	425	-	-
Public safety	-	-	-	-
Highway and roads	-	-	-	-
Culture and recreation	-	-	-	277,106
Planning and community development	-	-	-	-
Transportation	-	-	46,466	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Bond issuance cost	-	-	-	-
Capital Outlay	<u>636,406</u>	<u>225</u>	<u>5,338,539</u>	<u>819,692</u>
Total expenditures	<u>636,406</u>	<u>650</u>	<u>5,385,005</u>	<u>1,096,798</u>
Excess (deficiency) of revenues over expenditures	<u>(633,509)</u>	<u>-</u>	<u>(987,381)</u>	<u>570,630</u>
Other Financing Sources (Uses)				
Proceeds from bonds sales	-	-	-	-
Premiums on bonds	-	-	-	-
Payment to escrow agent	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	110,000	-	4,622,066	-
Transfers (out)	-	-	(1,233,959)	-
Total other financing sources (uses)	<u>110,000</u>	<u>-</u>	<u>3,388,107</u>	<u>-</u>
Net change in fund balance	(523,509)	-	2,400,726	570,630
Fund balance - beginning	-	-	1,583,366	3,254,629
Prior period adjustments	1,491,600	-	-	-
Fund balance - ending	<u>\$ 968,091</u>	<u>\$ -</u>	<u>\$ 3,984,092</u>	<u>\$ 3,825,259</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
\$ -	\$ -	\$ -	\$ 1,896,063	\$ -	\$ 4,594,092
1,266,455	1,266,454	1,266,454	-	1,761,426	16,796,843
-	-	-	-	-	88,786
-	-	-	-	-	2,462,711
22,082	23,040	23,200	16,573	9,052	217,500
-	-	-	2,968,199	-	12,763,954
37,681	-	27,595	-	-	1,448,914
<u>1,326,218</u>	<u>1,289,494</u>	<u>1,317,249</u>	<u>4,880,835</u>	<u>1,770,478</u>	<u>38,372,800</u>
-	-	-	-	-	2,128,147
-	-	-	-	-	549,781
-	-	-	-	-	-
175,505	119,159	483,359	-	-	12,738,005
-	-	-	-	-	1,381,683
-	-	-	-	-	4,673,757
-	-	-	4,261,769	865,000	5,126,769
-	-	-	700,637	902,613	1,603,250
-	-	-	308,152	-	308,152
240,956	619,500	1,472,862	-	-	16,712,683
<u>416,461</u>	<u>738,659</u>	<u>1,956,221</u>	<u>5,270,558</u>	<u>1,767,613</u>	<u>45,222,227</u>
<u>909,757</u>	<u>550,835</u>	<u>(638,972)</u>	<u>(389,723)</u>	<u>2,865</u>	<u>(6,849,427)</u>
-	-	-	22,600,000	-	22,600,000
-	-	-	2,708,151	-	2,708,151
-	-	-	-	-	-
-	-	-	-	-	1,332
-	-	-	233,049	-	11,609,612
-	(250,000)	-	(25,000,000)	-	(30,836,292)
-	(250,000)	-	541,200	-	6,082,803
909,757	300,835	(638,972)	151,477	2,865	(766,624)
4,359,479	4,049,458	4,546,356	1,518,801	2,735,532	45,600,508
-	-	-	-	-	1,663,667
<u>\$ 5,269,236</u>	<u>\$ 4,350,293</u>	<u>\$ 3,907,384</u>	<u>\$ 1,670,278</u>	<u>\$ 2,738,397</u>	<u>\$ 46,497,551</u>

SPECIAL REVENUE FUND - ISLAND TRANSIT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended September 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>
Revenues			
Charges for services	\$ 1,396,000	\$ 1,324,555	\$ (71,445)
Intergovernmental	3,115,000	3,119,987	4,987
Total revenues	<u>4,511,000</u>	<u>4,444,542</u>	<u>(66,458)</u>
Expenditures			
Current:			
Transportation	4,707,010	4,627,291	79,719
Total expenditures	<u>4,707,010</u>	<u>4,627,291</u>	<u>79,719</u>
Revenues over (under) expenditures	<u>(196,010)</u>	<u>(182,749)</u>	<u>13,261</u>
Other Financing Sources (Uses)			
Proceeds from sale of assets	-	225	225
Transfers in	200,000	200,000	-
Total other financing sources (uses)	<u>200,000</u>	<u>200,225</u>	<u>225</u>
Changes in fund balance	3,990	17,476	13,486
Fund balance - beginning	<u>112,403</u>	<u>112,403</u>	<u>-</u>
Fund balance - ending	<u>\$ 116,393</u>	<u>\$ 129,879</u>	<u>\$ 13,486</u>

SPECIAL REVENUE FUND - ROSENBERG LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>
Revenues			
Property taxes	\$ 2,681,900	\$ 2,698,029	\$ 16,129
Total revenues	<u>2,681,900</u>	<u>2,698,029</u>	<u>16,129</u>
Expenditures			
Current:			
Culture and recreation	<u>2,698,029</u>	<u>2,698,029</u>	<u>-</u>
Total expenditures	<u>2,698,029</u>	<u>2,698,029</u>	<u>-</u>
Changes in fund balance	(16,129)	-	16,129
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ (16,129)</u>	<u>\$ -</u>	<u>\$ 16,129</u>

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts		Variance with Final Budget
	Final	Actual	Reconciling Items	Budgetary Basis	
Revenues					
Property taxes	\$ 1,888,500	\$ 1,896,063		\$ 1,896,063	\$ 7,563
Investment earnings	44,500	16,573		16,573	(27,927)
Wharves Authority	2,969,700	2,968,199		2,968,199	(1,501)
Total revenues	<u>4,902,700</u>	<u>4,880,835</u>	<u>-</u>	<u>4,880,835</u>	<u>(21,865)</u>
Expenditures					
Debt Service:					
Principal	6,586,000	4,261,769		4,261,769	2,324,231
Interest and other charges	1,445,288	700,637		700,637	744,651
Bond issuance costs	-	308,152	(308,152)	-	-
Total expenditures	<u>8,031,288</u>	<u>5,270,558</u>	<u>(308,152)</u>	<u>4,962,406</u>	<u>3,068,882</u>
Revenues over (under) expenditures	(3,128,588)	(389,723)	308,152	(81,571)	3,047,017
Other Financing Sources (Uses)					
Proceeds from bonds	-	22,600,000	(22,600,000)	-	-
Premiums on bonds	-	2,708,151	(2,708,151)	-	-
Transfers in	3,292,933	233,049		233,049	(3,059,884)
Transfers (out)		(25,000,000)	25,000,000	-	-
Total other financing sources (uses)	<u>3,292,933</u>	<u>541,200</u>	<u>(308,151)</u>	<u>233,049</u>	<u>(3,059,884)</u>
Changes in fund balance	164,345	151,477	1	151,478	(12,867)
Fund balance - beginning	<u>1,518,801</u>	<u>1,518,801</u>	<u>-</u>	<u>1,518,801</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,683,146</u>	<u>\$ 1,670,278</u>	<u>\$ 1</u>	<u>\$ 1,670,279</u>	<u>\$ (12,867)</u>

CITY OF GALVESTON, TEXAS**NON-MAJOR 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, 2017

	Sanitation	Drainage	Airport	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,996,104	\$ 1,502,316	\$ 1,439,249	\$ 4,937,669
Accounts Receivable, net of allowance for doubtful accounts	1,575,689	642,017	127,264	2,344,970
Due from other funds	407,090	-	-	407,090
Receivables from other governments	-	-	-	-
Restricted cash and cash equivalents	-	386,337	893,389	1,279,726
Total current assets	<u>3,978,883</u>	<u>2,530,670</u>	<u>2,459,902</u>	<u>8,969,455</u>
Non-current assets:				
Capital assets not being depreciated:				
Land and improvements	-	-	1,230,764	1,230,764
Construction in progress	-	1,490,247	517,798	2,008,045
Capital assets (net of depreciation):				
Infrastructure	49,018	5,987,787	16,494,525	22,531,330
Buildings and improvements	401,705	-	2,603,206	3,004,911
Equipment and furniture	1,952,107	2,136,181	49,599	4,137,887
Total non-current assets	<u>2,402,830</u>	<u>9,614,215</u>	<u>20,895,892</u>	<u>32,912,937</u>
Total Assets	<u>6,381,713</u>	<u>12,144,885</u>	<u>23,355,794</u>	<u>41,882,392</u>
Deferred Outflows of Resources				
Deferred outflows relating to pension activities	667,400	374,500	114,000	1,155,900
Total Deferred Outflows of Resources	<u>667,400</u>	<u>374,500</u>	<u>114,000</u>	<u>1,155,900</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	291,092	120,460	36,776	448,328
Due to other funds	9,862	-	-	9,862
Due to other governments	298,081	3	-	298,084
Unearned revenue	15,225	-	712	15,937
Total current Liabilities	<u>614,260</u>	<u>120,463</u>	<u>37,488</u>	<u>772,211</u>
Non-current liabilities:				
Due within one year	35,700	20,000	6,630	62,330
Due in more than one year	383,066	138,136	31,758	552,960
Net pension liability	1,598,700	896,900	273,000	2,768,600
Total non-current Liabilities	<u>2,017,466</u>	<u>1,055,036</u>	<u>311,388</u>	<u>3,383,890</u>
Total Liabilities	<u>2,631,726</u>	<u>1,175,499</u>	<u>348,876</u>	<u>4,156,101</u>
Deferred Inflows of Resources				
Deferred inflows relating to pension activities	177,700	99,700	30,300	307,700
Total Deferred Inflows of Resources	<u>177,700</u>	<u>99,700</u>	<u>30,300</u>	<u>307,700</u>
Net Position				
Net investment in capital assets	2,402,830	9,565,312	20,876,586	32,844,728
Restricted for capital projects	-	386,337	893,389	1,279,726
Unrestricted	1,836,857	1,292,537	1,320,643	4,450,037
Total Net Position	<u>\$ 4,239,687</u>	<u>\$ 11,244,186</u>	<u>\$ 23,090,618</u>	<u>\$ 38,574,491</u>

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

For the Year Ended September 30, 2017

	Sanitation	Drainage	Airport	Total
Operating Revenues				
Charges for services	\$ 5,494,007	\$ 2,852,930	\$ 934,876	\$ 9,281,813
Total operating revenues	<u>5,494,007</u>	<u>2,852,930</u>	<u>934,876</u>	<u>9,281,813</u>
Operating Expenses				
Personnel services	3,089,113	1,687,529	468,164	5,244,806
Contractual services	1,755,987	411,559	383,109	2,550,655
Supplies and materials	89,083	39,300	95,237	223,620
Other expenses	78,509	75,958	3,342	157,809
Administration charge	219,000	49,000	56,000	324,000
Depreciation	425,761	656,666	884,724	1,967,151
Total operating expenses	<u>5,657,453</u>	<u>2,920,012</u>	<u>1,890,576</u>	<u>10,468,041</u>
Operating income (loss)	<u>(163,446)</u>	<u>(67,082)</u>	<u>(955,700)</u>	<u>(1,186,228)</u>
Non-Operating Revenues (Expenses)				
Intergovernmental revenue	-	-	251,276	251,276
Interest and investment revenue	3,471	8,073	6,015	17,559
Gain (loss) on disposal of capital assets	(19,757)	17,005	437,050	434,298
Bad debt	18	-	-	18
Total non-operating revenue (expenses)	<u>(16,268)</u>	<u>25,078</u>	<u>694,341</u>	<u>703,151</u>
Income (loss) before contributions and transfers	<u>(179,714)</u>	<u>(42,004)</u>	<u>(261,359)</u>	<u>(483,077)</u>
Capital contributions	-	635,010	177,461	812,471
Transfers in	-	-	1,635,891	1,635,891
Transfers (out)	(241,700)	(105,000)	(577,256)	(923,956)
Change in net position	<u>(421,414)</u>	<u>488,006</u>	<u>974,737</u>	<u>1,041,329</u>
Total net position - beginning	4,084,986	9,663,621	22,168,602	35,917,209
Prior period adjustments	576,115	1,092,559	(52,721)	1,615,953
Total net position - ending	<u>\$ 4,239,687</u>	<u>\$ 11,244,186</u>	<u>\$ 23,090,618</u>	<u>\$ 38,574,491</u>

**COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS**
For the Year Ended September 30, 2017

	Sanitation	Drainage	Airport	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 6,851,565	\$ 3,210,191	\$ 1,225,526	\$ 11,287,282
Disbursed for personnel services	(2,927,690)	(1,646,390)	(447,898)	(5,021,978)
Disbursed for goods and services	(2,201,291)	(1,172,368)	(503,866)	(3,877,525)
Administrative service charge	(219,000)	(49,000)	(56,000)	(324,000)
Net cash provided (used) by operating activities	<u>1,503,584</u>	<u>342,433</u>	<u>217,762</u>	<u>2,063,779</u>
Cash Flows from Non-Capital Financial Activities:				
Transfers from other funds			1,635,891	1,635,891
Transfers to other funds	(241,700)	(105,000)	(577,256)	(923,956)
Net cash provided (used) by noncapital financing activities	<u>(241,700)</u>	<u>(105,000)</u>	<u>1,058,635</u>	<u>711,935</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment	15,901	20,854	437,050	473,805
Capital grants			251,276	251,276
Acquisition and construction of capital assets	(174,266)	(934,795)	(575,684)	(1,684,745)
Net cash used by capital and related financing activities	<u>(158,365)</u>	<u>(913,941)</u>	<u>112,642</u>	<u>(959,664)</u>
Cash Flows from Investing Activities				
Interest received	3,471	8,073	6,015	17,559
Net cash provided (used) by investing activities	<u>3,471</u>	<u>8,073</u>	<u>6,015</u>	<u>17,559</u>
Net increase (decrease) in cash and equivalents	1,106,990	(668,435)	1,395,054	1,833,609
Cash and equivalents, beginning of year	889,114	2,557,088	937,584	4,383,786
Cash and equivalents, at end of year	<u>\$ 1,996,104</u>	<u>\$ 1,888,653</u>	<u>\$ 2,332,638</u>	<u>\$ 6,217,395</u>
Unrestricted cash and equivalents	\$ 1,996,104	\$ 1,502,316	\$ 1,439,249	4,937,669
Restricted cash and equivalents	-	386,337	893,389	1,279,726
	<u>\$ 1,996,104</u>	<u>\$ 1,888,653</u>	<u>\$ 2,332,638</u>	<u>\$ 6,217,395</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (163,446)	\$ (67,082)	\$ (955,700)	(1,186,228)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation	425,761	656,666	884,724	1,967,151
(Increase) decrease in accounts receivable	1,357,558	357,261	290,650	2,005,469
(Increase) decrease in prepaid items				-
(Increase) decrease in deferred outflows/inflows relating to pension activities	48,800	19,000	1,200	69,000
Increase (decrease) in accounts payable	(279,618)	(645,551)	(22,890)	(948,059)
Increase (decrease) in compensated absences payable	(12,777)	27,139	(24,134)	(9,772)
Increase (decrease) in deferred revenue	1,906		712	2,618
Increase (decrease) in net pension liability	125,400	(5,000)	43,200	163,600
Net cash provided by operating activities	<u>\$ 1,503,584</u>	<u>\$ 342,433</u>	<u>\$ 217,762</u>	<u>\$ 2,063,779</u>
Non-cash Transactions:				
Contributed capital	\$ -	\$ 635,010	\$ 177,461	\$ 812,471

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

For the Year Ended September 30, 2017

	Budgeted	Actual Amounts			Variance with Final Budget
	Amounts	Actual	Reconciling Items	Budgetary Basis	
	Final	Actual			
Operating Revenues					
Charges for services	\$ 21,250,353	\$ 21,643,242	\$ -	\$ 21,643,242	\$ 392,889
Total operating revenues	<u>21,250,353</u>	<u>21,643,242</u>	<u>-</u>	<u>21,643,242</u>	<u>392,889</u>
Operating Expenses					
Personnel services	2,380,862	2,393,916	(40,612)	2,353,304	27,558
Contractual services	1,848,747	1,148,568	-	1,148,568	700,179
Supplies and materials	943,610	890,386	-	890,386	53,224
Surface water contract	11,340,600	7,095,932	4,151,530	11,247,462	93,138
Other expenses	574,922	359,666	-	359,666	215,256
Administration charge	689,000	689,000	-	689,000	-
Depreciation	-	3,554,622	(3,554,622)	-	-
Total operating expenses	<u>17,777,741</u>	<u>16,132,090</u>	<u>556,296</u>	<u>16,688,386</u>	<u>1,089,355</u>
Operating income (loss)	<u>3,472,612</u>	<u>5,511,152</u>	<u>(556,296)</u>	<u>4,954,856</u>	<u>1,482,244</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	48,000	126,361	-	126,361	78,361
Principal expenditure	(1,527,115)	-	(1,527,115)	(1,527,115)	-
Gain (loss) on disposal of capital assets	-	3,422	-	3,422	3,422
Interest expense	(1,003,231)	(1,204,000)	200,769	(1,003,231)	-
Bad debt	-	-	-	-	-
Total non-operating revenue (expenses)	<u>(2,482,346)</u>	<u>(1,074,217)</u>	<u>(1,326,346)</u>	<u>(2,400,563)</u>	<u>81,783</u>
Income (loss) before contributions and transfers	<u>990,266</u>	<u>4,436,935</u>	<u>(1,882,642)</u>	<u>2,554,293</u>	<u>1,564,027</u>
Capital contributions	-	11,319,218	(11,319,218)	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(2,955,850)	(235,440)	(2,720,410)	(2,955,850)	-
Change in net position	<u>(1,965,584)</u>	<u>15,520,713</u>	<u>(15,922,270)</u>	<u>(401,557)</u>	<u>1,564,027</u>
Total net position - beginning	<u>86,517,024</u>	<u>86,517,024</u>	<u>-</u>	<u>86,517,024</u>	<u>-</u>
Prior period adjustments	-	(10,868,744)	10,868,744	-	-
Total net position - ending	<u>\$ 84,551,440</u>	<u>\$ 91,168,993</u>	<u>\$ (5,053,526)</u>	<u>\$ 86,115,467</u>	<u>\$ 1,564,027</u>

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

For the Year Ended September 30, 2017

	Budgeted	Actual Amounts			Variance with Final Budget
	Amounts	Actual	Reconciling Items	Budgetary Basis	
	Final				
Operating Revenues					
Charges for services	\$ 14,907,107	\$ 15,557,501	\$ -	\$ 15,557,501	\$ 650,394
Total operating revenues	<u>14,907,107</u>	<u>15,557,501</u>	<u>-</u>	<u>15,557,501</u>	<u>650,394</u>
Operating Expenses					
Personnel services	4,934,718	4,272,774	89,937	4,362,711	572,007
Contractual services	3,263,922	2,658,571	-	2,658,571	605,351
Supplies and materials	1,216,184	908,557	-	908,557	307,627
Other expenses	356,218	353,852	-	353,852	2,366
Administration charge	446,681	421,000	-	421,000	25,681
Depreciation	-	4,669,787	(4,669,787)	-	-
Total operating expenses	<u>10,217,723</u>	<u>13,284,541</u>	<u>(4,579,850)</u>	<u>8,704,691</u>	<u>1,513,032</u>
Operating income (loss)	<u>4,689,384</u>	<u>2,272,960</u>	<u>4,579,850</u>	<u>6,852,810</u>	<u>2,163,426</u>
Non-Operating Revenues (Expenses)					
Intergovernmental revenue	-	-	-	-	-
Interest and investment revenue	48,000	137,509	-	137,509	89,509
Principal expenditure	(2,056,115)	-	(2,056,115)	(2,056,115)	-
Gain (loss) on disposal of capital assets	-	(110,383)	-	(110,383)	(110,383)
Interest expense	(1,063,835)	(1,325,912)	262,077	(1,063,835)	-
Total non-operating revenue (expenses)	<u>(3,071,950)</u>	<u>(1,298,786)</u>	<u>(1,794,038)</u>	<u>(3,092,824)</u>	<u>(20,874)</u>
Income (loss) before contributions and transfers	<u>1,617,434</u>	<u>974,174</u>	<u>2,785,812</u>	<u>3,759,986</u>	<u>2,142,552</u>
Capital contributions	-	228,642	(228,642)	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(1,966,800)	(267,800)	(1,699,000)	(1,966,800)	-
Change in net position	<u>(349,366)</u>	<u>935,016</u>	<u>858,170</u>	<u>1,793,186</u>	<u>2,142,552</u>
Total net position - beginning	<u>146,603,654</u>	<u>146,603,654</u>	<u>-</u>	<u>146,603,654</u>	<u>-</u>
Prior period adjustments	-	(8,427,856)	8,427,856	-	-
Total net position - ending	<u>\$ 146,254,288</u>	<u>\$ 139,110,814</u>	<u>\$ 9,286,026</u>	<u>\$ 148,396,840</u>	<u>\$ 2,142,552</u>

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

For the Year Ended September 30, 2017

	Budgeted	Actual Amounts			Variance with Final Budget
	Amounts	Actual	Reconciling Items	Budgetary Basis	
	Final	Actual			
Operating Revenues					
Charges for services	\$ 6,072,427	\$ 5,494,007	\$ -	\$ 5,494,007	\$ (578,420)
Total operating revenues	<u>6,072,427</u>	<u>5,494,007</u>	<u>-</u>	<u>5,494,007</u>	<u>(578,420)</u>
Operating Expenses					
Personnel services	3,013,454	3,089,113	12,777	3,101,890	(88,436)
Contractual services	2,411,636	1,755,987	-	1,755,987	655,649
Supplies and materials	96,690	89,083	-	89,083	7,607
Other expenses	94,387	78,509	-	78,509	15,878
Administration charge	219,000	219,000	-	219,000	-
Depreciation	-	425,761	(425,761)	-	-
Total operating expenses	<u>5,835,167</u>	<u>5,657,453</u>	<u>(412,984)</u>	<u>5,244,469</u>	<u>590,698</u>
Operating income (loss)	<u>237,260</u>	<u>(163,446)</u>	<u>412,984</u>	<u>249,538</u>	<u>12,278</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	4,440	3,471	-	3,471	(969)
Gain (loss) on disposal of capital assets	-	(19,757)	-	(19,757)	(19,757)
Bad debt	-	18	-	18	18
Total non-operating revenue (expenses)	<u>4,440</u>	<u>(16,268)</u>	<u>-</u>	<u>(16,268)</u>	<u>(20,708)</u>
Income (loss) before contributions and transfers	<u>241,700</u>	<u>(179,714)</u>	<u>412,984</u>	<u>233,270</u>	<u>(8,430)</u>
Transfers (out)	(241,700)	(241,700)	-	(241,700)	-
Change in net position	<u>-</u>	<u>(421,414)</u>	<u>412,984</u>	<u>(8,430)</u>	<u>(8,430)</u>
Total net position - beginning	<u>4,084,986</u>	<u>4,084,986</u>	<u>-</u>	<u>4,084,986</u>	<u>-</u>
Prior period adjustments	-	576,115	(576,115)	-	-
Total net position - ending	<u>\$ 4,084,986</u>	<u>\$ 4,239,687</u>	<u>\$ (163,131)</u>	<u>\$ 4,076,556</u>	<u>\$ (8,430)</u>

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

For the Year Ended September 30, 2017

	Budgeted	Actual Amounts			Variance with Final Budget
	Amounts	Actual	Reconciling Items	Budgetary Basis	
	Final				
Operating Revenues					
Charges for services	\$ 2,889,680	\$ 2,852,930	\$ -	\$ 2,852,930	\$ (36,750)
Total operating revenues	<u>2,889,680</u>	<u>2,852,930</u>	<u>-</u>	<u>2,852,930</u>	<u>(36,750)</u>
Operating Expenses					
Personnel services	1,646,415	1,687,529	(27,139)	1,660,390	(13,975)
Contractual services	678,097	411,559	-	411,559	266,538
Supplies and materials	71,168	39,300	-	39,300	31,868
Other expenses	76,000	75,958	-	75,958	42
Administration charge	49,000	49,000	-	49,000	-
Depreciation	-	656,666	(656,666)	-	-
Total operating expenses	<u>2,520,680</u>	<u>2,920,012</u>	<u>(683,805)</u>	<u>2,236,207</u>	<u>284,473</u>
Operating income (loss)	<u>369,000</u>	<u>(67,082)</u>	<u>683,805</u>	<u>616,723</u>	<u>247,723</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	6,000	8,073	-	8,073	2,073
Gain (loss) on disposal of capital assets	-	17,005	-	17,005	17,005
Total non-operating revenue (expenses)	<u>6,000</u>	<u>25,078</u>	<u>-</u>	<u>25,078</u>	<u>19,078</u>
Income (loss) before contributions and transfers	<u>375,000</u>	<u>(42,004)</u>	<u>683,805</u>	<u>641,801</u>	<u>266,801</u>
Capital contributions	-	635,010	(635,010)	-	-
Transfers (out)	(375,000)	(105,000)	-	(105,000)	270,000
Change in net position	<u>-</u>	<u>488,006</u>	<u>48,795</u>	<u>536,801</u>	<u>536,801</u>
Total net position - beginning	<u>9,663,621</u>	<u>9,663,621</u>	<u>-</u>	<u>9,663,621</u>	<u>-</u>
Prior period adjustments	-	1,092,559	(1,092,559)	-	-
Total net position - ending	<u>\$ 9,663,621</u>	<u>\$ 11,244,186</u>	<u>\$ (1,043,764)</u>	<u>\$ 10,200,422</u>	<u>\$ 536,801</u>

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

For the Year Ended September 30, 2017

	Budgeted	Actual Amounts			Variance with Final Budget
	Amounts	Actual	Reconciling Items	Budgetary Basis	
	Final				
Operating Revenues					
Charges for services	\$ 1,024,908	\$ 934,876	\$ -	\$ 934,876	\$ (90,032)
Total operating revenues	<u>1,024,908</u>	<u>934,876</u>	<u>-</u>	<u>934,876</u>	<u>(90,032)</u>
Operating Expenses					
Personnel services	447,923	468,164	24,135	492,299	(44,376)
Contractual services	549,253	383,109	-	383,109	166,144
Supplies and materials	106,912	95,237	-	95,237	11,675
Other expenses	4,117	3,342	-	3,342	775
Administration charge	56,000	56,000	-	56,000	-
Depreciation	-	884,724	(884,724)	-	-
Total operating expenses	<u>1,164,205</u>	<u>1,890,576</u>	<u>(860,589)</u>	<u>1,029,987</u>	<u>134,218</u>
Operating income (loss)	<u>(139,297)</u>	<u>(955,700)</u>	<u>860,589</u>	<u>(95,111)</u>	<u>44,186</u>
Non-Operating Revenues (Expenses)					
Intergovernmental revenue	295,520	251,276	-	251,276	(44,244)
Interest and investment revenue	5,000	6,015	-	6,015	1,015
Gain (loss) on disposal of capital assets	-	437,050	-	437,050	437,050
Total non-operating revenue (expenses)	<u>300,520</u>	<u>694,341</u>	<u>-</u>	<u>694,341</u>	<u>393,821</u>
Income (loss) before contributions and transfers	161,223	(261,359)	860,589	599,230	438,007
Capital contributions	-	177,461	(177,461)	-	-
Transfers in	650,000	1,635,891	(567,626)	1,068,265	418,265
Transfers (out)	(1,282,539)	(577,256)	(705,283)	(1,282,539)	-
Change in net position	<u>(471,316)</u>	<u>974,737</u>	<u>(589,781)</u>	<u>384,956</u>	<u>856,272</u>
Total net position - beginning	22,168,602	22,168,602	-	22,168,602	-
Prior period adjustments	-	(52,721)	52,721	-	-
Total net position - ending	<u>\$ 21,697,286</u>	<u>\$ 23,090,618</u>	<u>\$ (537,060)</u>	<u>\$ 22,553,558</u>	<u>\$ 856,272</u>

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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, 2017

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,510,329	\$ 2,717,684	\$ 636,301	\$ 63,740
Accounts receivable, net of allowance for doubtful accounts	81,098	-	437	-
Receivables from other governments	-	-	-	92,511
Inventories	296,714	-	3,201	-
Prepaid items	-	401,543	59,248	-
Restricted cash and cash equivalents	-	-	435,274	-
Total current assets	<u>1,888,141</u>	<u>3,119,227</u>	<u>1,134,461</u>	<u>156,251</u>
Non-current assets:				
Capital assets not being depreciated:				
Construction in progress	-	-	636,406	-
Capital assets (net of depreciation):				
Buildings	-	-	4,347,130	-
Equipment and furniture	435,965	-	370,438	-
Total non-current assets	<u>435,965</u>	<u>-</u>	<u>5,353,974</u>	<u>-</u>
Total Assets	<u>2,324,106</u>	<u>3,119,227</u>	<u>6,488,435</u>	<u>156,251</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	223,004	53,096	98,816	293
Total current liabilities	<u>223,004</u>	<u>53,096</u>	<u>98,816</u>	<u>293</u>
Non-current liabilities:				
Due within one year	-	-	114,745	-
Due in more than one year	215,834	46,216	790,453	150,213
Total non-current liabilities	<u>215,834</u>	<u>46,216</u>	<u>905,198</u>	<u>150,213</u>
Total Liabilities	<u>438,838</u>	<u>99,312</u>	<u>1,004,014</u>	<u>150,506</u>
Net Position				
Net investment in capital assets	435,965	-	5,353,974	-
Restricted for capital projects	-	-	-	-
Unrestricted	1,449,303	3,019,915	130,447	5,745
Total Net Position	<u>\$ 1,885,268</u>	<u>\$ 3,019,915</u>	<u>\$ 5,484,421</u>	<u>\$ 5,745</u>

<u>Workers' Compensation Insurance</u>	<u>Health and Life Insurance</u>	<u>Total</u>
\$ 2,384,188	\$ 2,861,982	\$ 10,174,224
-	383,133	464,668
-	-	92,511
-	-	299,915
-	-	460,791
-	-	435,274
<u>2,384,188</u>	<u>3,245,115</u>	<u>11,927,383</u>
-	-	636,406
-	-	4,347,130
-	-	806,403
-	-	5,789,939
<u>2,384,188</u>	<u>3,245,115</u>	<u>17,717,322</u>
95,916	220,375	691,500
<u>95,916</u>	<u>220,375</u>	<u>691,500</u>
96,772	810,516	1,022,033
<u>489,106</u>	<u>4,048,989</u>	<u>5,740,811</u>
<u>585,878</u>	<u>4,859,505</u>	<u>6,762,844</u>
<u>681,794</u>	<u>5,079,880</u>	<u>7,454,344</u>
-	-	5,789,939
-	-	-
1,702,394	(1,834,765)	4,473,039
<u>\$ 1,702,394</u>	<u>\$ (1,834,765)</u>	<u>\$ 10,262,978</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

For the Year Ended September 30, 2017

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Operating Revenues				
Charges for services	\$ 4,480,630	\$ 1,922,286	\$ 2,815,680	\$ -
Total operating revenues	<u>4,480,630</u>	<u>1,922,286</u>	<u>2,815,680</u>	<u>-</u>
Operating Expenses				
Personnel services	1,255,917	141,376	1,493,151	434,302
Contractual services	901,462	29,576	680,740	45,424
Supplies and materials	2,154,130	1,302	211,796	4,444
Insurance claims and premiums	-	1,522,108	-	-
Other expenses	-	-	-	(482,381)
Depreciation	11,396	-	381,984	-
Total operating expenses	<u>4,322,905</u>	<u>1,694,362</u>	<u>2,767,671</u>	<u>1,789</u>
Operating income (loss)	<u>157,725</u>	<u>227,924</u>	<u>48,009</u>	<u>(1,789)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	6,806	11,850	3,399	116
Insurance proceeds	128,782	-	15,030	-
Interest expense	-	-	(29,733)	-
Gain (loss) on disposal of capital assets	29,975	-	446	1,674
Total non-operating revenue (expenses)	<u>165,563</u>	<u>11,850</u>	<u>(10,858)</u>	<u>1,790</u>
Income (loss) before capital contributions and transfers	323,288	239,774	37,151	1
Capital contributions	208,952	-	636,406	-
Transfers in	106,935	-	-	-
Transfers out	-	-	(233,049)	-
Change in net position	<u>639,175</u>	<u>239,774</u>	<u>440,508</u>	<u>1</u>
Total net position - beginning (as restated)	<u>1,246,093</u>	<u>2,780,141</u>	<u>5,043,913</u>	<u>5,744</u>
Total net position - ending	<u>\$ 1,885,268</u>	<u>\$ 3,019,915</u>	<u>\$ 5,484,421</u>	<u>\$ 5,745</u>

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 594,554	\$ 7,424,921	\$ 17,238,071
<u>594,554</u>	<u>7,424,921</u>	<u>17,238,071</u>
-	-	3,324,746
-	-	1,657,202
-	-	2,371,672
395,865	8,874,171	10,792,144
-	502,759	20,378
-	-	393,380
<u>395,865</u>	<u>9,376,930</u>	<u>18,559,522</u>
<u>198,689</u>	<u>(1,952,009)</u>	<u>(1,321,451)</u>
10,732	13,932	46,835
-	-	143,812
-	-	(29,733)
-	-	32,095
<u>10,732</u>	<u>13,932</u>	<u>193,009</u>
209,421	(1,938,077)	(1,128,442)
-	-	845,358
-	209,000	315,935
-	-	(233,049)
<u>209,421</u>	<u>(1,729,077)</u>	<u>(200,198)</u>
1,492,973	(105,688)	10,463,176
<u>\$ 1,702,394</u>	<u>\$ (1,834,765)</u>	<u>\$ 10,262,978</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended September 30, 2017

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 4,492,622	\$ 1,927,781	\$ 2,815,243	\$ (92,511)
Disbursed for personnel services	(1,231,964)	(136,843)	(1,452,101)	(377,812)
Disbursed for goods and services	(3,051,776)	(1,582,009)	(914,796)	417,479
Net cash provided (used) by operating activities	<u>208,882</u>	<u>208,929</u>	<u>448,346</u>	<u>(52,844)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	106,935	-	-	-
Transfers to other funds	-	-	(233,049)	-
Net cash provided (used) by noncapital financing activities	<u>106,935</u>	<u>-</u>	<u>(233,049)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment	29,975	-	446	1,674
Capital grants	-	-	-	-
Insurance proceeds	128,782	-	15,030	-
Principal payments on debt	-	-	(109,027)	-
Interest payments on debt	-	-	-	-
Acquisition and construction of capital assets	(69,250)	-	(149,074)	-
Net cash provided (used) by capital and related financing activities	<u>89,507</u>	<u>-</u>	<u>(242,625)</u>	<u>1,674</u>
Cash Flows from Investing Activities				
Interest received	6,806	11,850	3,399	116
Interest paid	-	-	(29,733)	-
Net cash provided (used) by investing activities	<u>6,806</u>	<u>11,850</u>	<u>(26,334)</u>	<u>116</u>
Net increase/(decrease) in cash and equivalents	412,130	220,779	(53,662)	(51,054)
Cash and equivalents, beginning of year	1,098,199	2,496,905	1,125,237	114,794
Cash and equivalents, at end of year	<u>\$ 1,510,329</u>	<u>\$ 2,717,684</u>	<u>\$ 1,071,575</u>	<u>\$ 63,740</u>
Unrestricted cash and equivalents	\$ 1,510,329	\$ 2,717,684	\$ 636,301	\$ 63,740
Restricted cash and equivalents	-	-	435,274	-
	<u>\$ 1,510,329</u>	<u>\$ 2,717,684</u>	<u>\$ 1,071,575</u>	<u>\$ 63,740</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	157,725	227,924	48,009	(1,789)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,396	-	381,984	-
(Increase) decrease in accounts receivable	11,992	5,495	(437)	(92,511)
(Increase) decrease in inventory	(77,954)	-	148	-
(Increase) decrease in prepaid items	-	(48,873)	(59,248)	-
Increase (decrease) in accounts payable	81,770	19,850	36,840	(15,034)
Increase (decrease) in compensated absences payable	23,953	4,533	41,050	56,490
Net cash provided (used) by operating activities	<u>\$ 208,882</u>	<u>\$ 208,929</u>	<u>\$ 448,346</u>	<u>\$ (52,844)</u>
Non-cash Transactions:				
Contributed Capital	\$ -	\$ -	\$ 636,406	\$ -

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 594,554	\$ 7,153,759	\$ 16,891,448
-	-	(3,198,720)
<u>(419,115)</u>	<u>(8,390,987)</u>	<u>(13,941,204)</u>
175,439	(1,237,228)	(248,476)
-	209,000	315,935
-	-	<u>(233,049)</u>
-	209,000	82,886
-	-	32,095
-	-	-
-	-	143,812
-	-	(109,027)
-	-	-
-	-	<u>(218,324)</u>
-	-	(151,444)
10,732	13,932	46,835
-	-	<u>(29,733)</u>
<u>10,732</u>	<u>13,932</u>	<u>17,102</u>
186,171	(1,014,296)	(299,932)
2,198,017	3,876,278	10,909,430
<u>\$ 2,384,188</u>	<u>\$ 2,861,982</u>	<u>\$ 10,609,498</u>
\$ 2,384,188	\$ 2,861,982	\$ 10,174,224
-	-	435,274
<u>\$ 2,384,188</u>	<u>\$ 2,861,982</u>	<u>\$ 10,609,498</u>
198,689	(1,952,009)	(1,321,451)
-	-	393,380
-	(271,162)	(346,623)
-	-	(77,806)
-	-	(108,121)
(23,250)	985,943	1,086,119
-	-	126,026
<u>\$ 175,439</u>	<u>\$ (1,237,228)</u>	<u>\$ (248,476)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,406</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, 2016.

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, 2016

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 855,028	\$ 855,028
Receivables				
Interest and dividends	55,327	25,934	159,956	241,217
Loans to participants	143,377	-	-	143,377
Investments				
Money market funds	215,533	1,169,969	-	1,385,502
U.S. Government agencies	984,658	-	-	984,658
Bonds	2,195,612	-	-	2,195,612
Common stocks	-	-	11,787,642	11,787,642
Equity mutual funds	14,076,909	44,470,123	17,471,713	76,018,745
Bond mutual funds	2,138,981	-	-	2,138,981
Alternative investments	-	-	9,164,817	9,164,817
Real estate	-	-	718,744	718,744
Total Assets	<u>19,810,397</u>	<u>45,666,026</u>	<u>40,157,900</u>	<u>105,634,323</u>
Liabilities				
Accounts payable	25,580	25,832	2,426	53,838
Total Liabilities	<u>25,580</u>	<u>25,832</u>	<u>2,426</u>	<u>53,838</u>
Net Position - Restricted for Pension Benefits				
Held in trust for benefits and other purposes	19,784,817	45,640,194	40,155,474	105,580,485
Total Net Position - Restricted for Pension Benefits	<u>\$ 19,784,817</u>	<u>\$ 45,640,194</u>	<u>\$ 40,155,474</u>	<u>\$ 105,580,485</u>

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year ended December 31, 2016

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Additions				
Contributions:				
Employer	\$ 1,255,887	\$ 2,059,527	\$ 1,072,865	\$ 4,388,279
Plan members	1,255,887	1,371,184	1,226,133	3,853,204
Total contributions	<u>2,511,774</u>	<u>3,430,711</u>	<u>2,298,998</u>	<u>8,241,483</u>
Investment Earnings:				
Net increase (decrease) in fair value of investments	1,164,452	2,526,242	1,390,881	5,081,575
Interest and dividends	407,895	947,654	959,434	2,314,983
Less investment expenses	(78,765)	(140,066)	(162,606)	(381,437)
Net investment income (loss)	<u>1,493,582</u>	<u>3,333,830</u>	<u>2,187,709</u>	<u>7,015,121</u>
Total Additions	4,005,356	6,764,541	4,486,707	15,256,604
Deductions				
Benefits paid to members and beneficiaries	4,322,871	3,918,295	3,049,743	11,290,909
Refunds of contributions	-	3,264	204,522	207,786
Administrative expenses	126,110	145,136	103,459	374,705
Total Deductions	<u>4,448,981</u>	<u>4,066,695</u>	<u>3,357,724</u>	<u>11,873,400</u>
Change in net position	(443,625)	2,697,846	1,128,983	3,383,204
Net position - restricted for pensions, beginning of year	<u>20,228,442</u>	<u>42,942,348</u>	<u>39,026,491</u>	<u>102,197,281</u>
Net position - restricted for pensions, end of year	<u>\$ 19,784,817</u>	<u>\$ 45,640,194</u>	<u>\$ 40,155,474</u>	<u>\$ 105,580,485</u>

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended September 30, 2017

	September 30, 2016	Additions	Deletions	September 30, 2017
Assets				
Cash and temporary investments	\$ 741,843	\$ 7,552	\$ -	\$ 749,395
Total Assets	<u>741,843</u>	<u>7,552</u>	<u>-</u>	<u>749,395</u>
Liabilities				
Accounts payable and other current liabilities	3,800	3,325	-	7,125
Refunds payable and others	738,043	4,227	-	742,270
Total Liabilities	<u>\$ 741,843</u>	<u>\$ 7,552</u>	<u>\$ -</u>	<u>\$ 749,395</u>

DISCRETELY PRESENTED COMPONENT UNITS

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

**DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION**

September 30, 2017

	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	\$ 7,032,426	\$ 1,180,167	\$ 38,220	\$ 10,471
Investments	2,017,408	1,658,071	-	-
Accounts receivable, net of allowance for doubtful accounts	1,587,522	-	71,352	-
Inventories	11,818	-	-	-
Prepaid items	291,656	-	-	-
Other	7,640	-	-	-
Restricted cash and temporary investments	-	-	-	-
Total current assets	<u>10,948,470</u>	<u>2,838,238</u>	<u>109,572</u>	<u>10,471</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)	341,072,518	-	-	-
Total non-current assets	<u>342,548,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>353,497,213</u>	<u>2,838,238</u>	<u>109,572</u>	<u>10,471</u>
Deferred Outflows of Resources				
Deferred outflows - pension items	-	39,575	-	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	1,512,309	6,183,523	38,220	10,471
Due to other governments	443,484	-	-	-
Interest payable	17,302	-	-	-
Deferred revenue	79,594	-	-	-
Total current liabilities	<u>2,052,689</u>	<u>6,183,523</u>	<u>38,220</u>	<u>10,471</u>
Non-current liabilities:				
Due within one year	670,450	440,000	-	-
Due in more than one year	3,776,579	19,882,110	-	-
Net pension liability	-	-	-	-
Total non-current liabilities	<u>4,447,029</u>	<u>20,322,110</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>6,499,718</u>	<u>26,505,633</u>	<u>38,220</u>	<u>10,471</u>
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred inflows - pension activities	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	338,295,413	-	-	-
Restricted:				
Debt service	685,133	482,248	-	-
Unrestricted	8,016,949	(24,110,068)	71,352	-
Total Net Position	<u>\$ 346,997,495</u>	<u>\$ (23,627,820)</u>	<u>\$ 71,352</u>	<u>\$ -</u>

* As of December 31, 2016

Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Galveston Housing Finance Corporation*	Galveston Property Finance Authority*	Total
\$ 1,005,738	\$ 4,156,467	\$ 79,120	\$ 872,523	\$ 14,375,132
-	-	-	-	3,675,479
-	13,404,138	-	-	15,063,012
-	-	-	-	11,818
-	623,336	-	-	914,992
-	-	-	-	7,640
-	19,900,725	-	-	19,900,725
<u>1,005,738</u>	<u>38,084,666</u>	<u>79,120</u>	<u>872,523</u>	<u>53,948,798</u>
-	1,858,698	-	-	1,858,698
-	19,480,160	70,903	-	21,027,288
<u>6,606,798</u>	<u>132,545,872</u>	<u>-</u>	<u>-</u>	<u>480,225,188</u>
<u>6,606,798</u>	<u>153,884,730</u>	<u>70,903</u>	<u>-</u>	<u>503,111,174</u>
<u>7,612,536</u>	<u>191,969,396</u>	<u>150,023</u>	<u>872,523</u>	<u>557,059,972</u>
-	1,146,128	-	-	1,185,703
-	3,874,096	-	-	11,618,619
-	188,561	-	-	632,045
-	737,747	-	-	755,049
-	-	-	-	79,594
-	<u>4,800,404</u>	<u>-</u>	<u>-</u>	<u>13,085,307</u>
150,000	5,034,055	-	-	6,294,505
9,168,065	46,047,008	-	-	78,873,762
-	3,147,175	-	-	3,147,175
<u>9,318,065</u>	<u>54,228,238</u>	<u>-</u>	<u>-</u>	<u>88,315,442</u>
<u>9,318,065</u>	<u>59,028,642</u>	<u>-</u>	<u>-</u>	<u>101,400,749</u>
-	50,100	-	-	50,100
-	178,512	-	-	178,512
-	228,612	-	-	228,612
-	115,231,634	-	-	453,527,047
-	7,869,709	-	-	9,037,090
<u>(1,705,529)</u>	<u>10,756,927</u>	<u>150,023</u>	<u>872,523</u>	<u>(5,947,823)</u>
<u>\$ (1,705,529)</u>	<u>\$ 133,858,270</u>	<u>\$ 150,023</u>	<u>\$ 872,523</u>	<u>\$ 456,616,314</u>

**DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

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	\$ 32,891,205	\$ 7,134,321	\$ 546,224	\$ (25,210,660)	\$ -
Galveston Island Redevelopment Authority	3,078,471	-	-	-	(3,078,471)
Campeche Shores - Public Improvement District No. 1	91,578	-	-	-	-
Beachside Village - Public Improvement District	91,014	-	-	-	-
Bayside at Waterman's - Public Improvement District	666,069	-	-	-	-
Board of Trustees of Galveston Wharves*	34,278,773	34,488,872	3,149,100	-	-
Galveston Housing Finance Corporation*	17,658	-	-	-	-
Galveston Property Finance Authority*	10,199	5,229	-	-	-
	<u>\$ 71,124,967</u>	<u>\$ 41,628,422</u>	<u>\$ 3,695,324</u>	<u>(25,210,660)</u>	<u>(3,078,471)</u>
General revenues and extraordinary items					
Taxes:					
Property taxes				-	2,473,527
Hotel occupancy taxes				10,926,683	-
Miscellaneous				16,050,343	-
Unrestricted investment earnings				18,122	18,370
Total general revenues and extraordinary items				<u>26,995,148</u>	<u>2,491,897</u>
Change in net position				1,784,488	(586,574)
Net position (deficit) - beginning				345,213,007	(23,018,246)
Extraordinary item				-	(23,000)
Net position (deficit) - ending				<u>\$ 346,997,495</u>	<u>\$ (23,627,820)</u>

* For the year ended December 31, 2016

Net (Expense) Revenue and Changes in Net Position

Campeche Shores - Public Improvement District No. 1	Beachside Village - Public Improvement District	Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Galveston Housing Finance Corporation*	Galveston Property Finance Authority*	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,210,660)
-	-	-	-	-	-	(3,078,471)
(91,578)	-	-	-	-	-	(91,578)
-	(91,014)	-	-	-	-	(91,014)
-	-	(666,069)	-	-	-	(666,069)
-	-	-	3,359,199	-	-	3,359,199
-	-	-	-	(17,658)	-	(17,658)
-	-	-	-	-	(4,970)	(4,970)
<u>(91,578)</u>	<u>(91,014)</u>	<u>(666,069)</u>	<u>3,359,199</u>	<u>(17,658)</u>	<u>(4,970)</u>	<u>(25,801,221)</u>
88,200	90,242	940,021	-	-	-	3,591,990
-	-	-	-	-	-	10,926,683
-	772	-	-	2,228	-	16,053,343
-	-	5,905	288,856	13,728	-	344,981
<u>88,200</u>	<u>91,014</u>	<u>945,926</u>	<u>288,856</u>	<u>15,956</u>	<u>-</u>	<u>30,916,997</u>
(3,378)	-	279,857	3,648,055	(1,702)	(4,970)	5,115,776
74,730	-	(1,985,386)	130,210,215	151,725	877,493	451,523,538
-	-	-	-	-	-	(23,000)
<u>\$ 71,352</u>	<u>\$ -</u>	<u>\$ (1,705,529)</u>	<u>\$ 133,858,270</u>	<u>\$ 150,023</u>	<u>\$ 872,523</u>	<u>\$ 456,616,314</u>

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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 136

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue sources: sales and property taxes..... 146

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..... 152

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 156

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. 160

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			
	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets	\$ 49,273	\$ 49,607	\$ 98,300	\$ 98,510
Restricted	19,950	25,689	26,256	25,326
Unrestricted	6,113	18,853	26,157	10,861
Total governmental activities net position	<u>\$ 75,336</u>	<u>\$ 94,149</u>	<u>\$ 150,713</u>	<u>\$ 134,697</u>
Business-type Activities				
Net investment in capital assets	\$ 64,348	\$ 65,039	\$ 79,051	\$ 99,989
Restricted	11,053	7,173	10,949	11,886
Unrestricted	12,364	24,354	20,713	22,183
Total business-type net position	<u>\$ 87,765</u>	<u>\$ 96,566</u>	<u>\$ 110,713</u>	<u>\$ 134,058</u>
Primary government				
Net investment in capital assets	\$ 113,621	\$ 114,646	\$ 177,351	\$ 198,499
Restricted	31,003	32,862	37,205	37,212
Unrestricted	18,477	43,207	46,870	33,044
Total primary government net position	<u>\$ 163,101</u>	<u>\$ 190,715</u>	<u>\$ 261,426</u>	<u>\$ 268,755</u>

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 90,856	\$ 102,988	\$ 110,071	\$ 113,903	\$ 131,335	\$ 143,928	
25,670	22,388	26,170	35,409	32,732	34,360	
31,737	33,857	30,237	(27,164)	(18,881)	(23,380)	
<u>\$ 148,263</u>	<u>\$ 159,233</u>	<u>\$ 166,478</u>	<u>\$ 122,148</u>	<u>\$ 145,186</u>	<u>\$ 154,908</u>	
\$ 80,157	\$ 181,656	\$ 181,656	\$ 178,032	\$ 193,491	\$ 199,744	
11,920	21,326	21,326	18,097	15,706	51,635	
70,504	18,221	18,220	39,681	45,169	20,156	
<u>\$ 162,581</u>	<u>\$ 221,203</u>	<u>\$ 221,202</u>	<u>\$ 235,810</u>	<u>\$ 254,366</u>	<u>\$ 271,535</u>	
\$ 171,013	\$ 284,644	\$ 291,727	\$ 291,935	\$ 324,826	\$ 343,672	
37,590	43,714	47,496	53,506	48,438	85,995	
102,241	52,078	48,457	12,517	26,288	(3,224)	
<u>\$ 310,844</u>	<u>\$ 380,436</u>	<u>\$ 387,680</u>	<u>\$ 357,958</u>	<u>\$ 399,552</u>	<u>\$ 426,443</u>	

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General government	\$ 5,307	\$ 5,742	\$ 8,484	\$ 7,413
Public Safety	32,145	29,390	29,180	27,056
Public works	12,735	69,234	25,590	23,631
Culture and recreation	9,020	10,764	8,289	8,820
Planning and community development	4,936	4,237	7,902	31,723
Transportation system	4,548	5,120	5,347	4,649
Interest on long-term debt	2,839	2,757	2,868	2,555
Total governmental activities expenses	71,530	127,244	87,660	105,847
Business-Type Activities:				
Waterworks	13,350	13,060	14,165	15,519
Sewer system	10,806	9,900	11,202	11,058
Sanitation	3,808	3,907	3,999	4,108
Drainage	1,651	1,700	1,737	1,750
Airport	1,185	1,073	1,127	1,496
Total business-type activities expenses	30,800	29,640	32,230	33,931
Total primary government expenses	102,330	156,884	119,890	139,778
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	1,552	1,628	1,717	1,841
Public safety	3,338	2,595	2,310	3,030
Public works	37	30	50	318
Culture and recreation	166	8	2	1
Planning and community development	1,119	1,890	1,282	1,441
Transportation system	697	461	508	650
Operating grants and contributions:				
General government	-	489	3,336	176
Public safety	312	1,646	5,234	537
Public works	-	76,730	37,424	281
Culture and recreation	936	980	963	734
Planning and community development	2,244	1,653	5,069	25,706
Transportation system	3,136	3,034	6,749	3,015
Capital grants and contributions:				
General government	-	316	-	-
Public safety	5,086	-	-	-
Public works	10,752	-	25,298	10,247
Culture and recreation	8,656	2	23	3
Planning and community development	-	-	-	12,398
Transportation system	1,501	448	2,934	1,392
Total governmental activities program revenues	39,532	91,910	92,899	61,770
Business-Type Activities				
Charges for services:				
Waterworks	14,640	14,168	14,988	16,132
Sewer system	12,259	11,082	11,523	12,108
Sanitation	4,360	3,888	4,257	4,247
Drainage	2,691	2,418	2,567	2,507
Airport	960	783	1,312	804
Operating grants and contributions:				
Airport	-	-	-	-
Capital grants and contributions:				
Waterworks	-	-	-	-
Sewer system	-	-	-	-
Drainage	-	-	-	-
Airport	1,925	2,253	11,964	2,700
Total business-type activities program revenues	36,835	34,592	46,611	38,498
Total primary government program revenues	76,367	126,502	139,510	100,268
Net (Expense) Revenue				
Governmental activities	(31,998)	(35,334)	5,239	(44,077)
Business-type activities	6,035	4,952	14,381	4,567
Total primary government net (expense) revenue	\$ (25,963)	\$ (30,382)	\$ 19,620	\$ (39,510)

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 5,164	\$ 6,874	\$ 7,864	\$ 8,284	\$ 9,882	\$ 13,984	
26,919	28,075	29,542	32,840	31,839	34,793	
6,925	6,847	6,504	6,570	6,383	7,729	
9,672	9,082	11,300	12,240	18,416	18,754	
12,942	11,972	5,246	8,799	4,733	10,067	
24,150	8,164	6,804	8,424	6,013	5,705	
4,909	1,716	2,160	1,896	2,660	1,620	
<u>90,681</u>	<u>72,730</u>	<u>69,420</u>	<u>79,053</u>	<u>79,926</u>	<u>92,652</u>	
14,001	13,990	15,402	17,416	15,255	17,385	
10,991	11,669	11,505	5,078	5,756	14,888	
4,176	4,382	4,781	2,537	2,949	5,739	
1,959	1,873	2,356	12,444	14,141	2,979	
1,468	1,499	1,579	1,709	1,774	1,887	
<u>32,595</u>	<u>33,413</u>	<u>35,623</u>	<u>39,184</u>	<u>39,875</u>	<u>42,878</u>	
<u>123,276</u>	<u>106,143</u>	<u>105,043</u>	<u>118,237</u>	<u>119,801</u>	<u>135,530</u>	
2,159	1,884	1,873	1,977	1,725	1,761	
2,554	2,417	2,246	2,113	2,378	2,658	
-	-	-	-	-	-	
2	2	-	-	42	198	
1,379	1,402	1,845	2,002	1,714	1,455	
840	1,575	1,875	1,365	1,681	1,568	
-	-	-	52	14	-	
181	249	254	279	2,613	930	
-	-	-	-	-	-	
116	139	180	103	1,885	109	
31,006	11,119	9,067	1,958	4,881	15,228	
2,771	2,789	3,559	3,472	3,506	2,792	
-	-	-	2,396	-	-	
-	-	-	619	-	-	
1,718	71	13	2,323	32	-	
-	-	-	36	-	400	
23,385	27,313	24,112	23,824	21,705	10,942	
3,525	3,858	799	5,424	3,897	3,600	
<u>69,636</u>	<u>52,818</u>	<u>45,823</u>	<u>47,943</u>	<u>46,073</u>	<u>41,641</u>	
16,834	17,482	17,510	16,215	20,759	21,643	
12,365	12,968	13,015	5,291	6,037	15,558	
4,655	5,088	5,617	2,277	2,464	5,494	
2,517	2,564	2,584	11,540	14,524	2,853	
1,186	1,236	1,230	1,594	1,151	935	
-	-	-	69	43	251	
501	-	-	-	-	2,808	
1,127	-	-	-	-	-	
330	-	-	46	-	-	
2,413	26	999	896	1,972	501	
<u>41,928</u>	<u>39,364</u>	<u>40,955</u>	<u>37,928</u>	<u>46,950</u>	<u>50,043</u>	
<u>111,564</u>	<u>92,182</u>	<u>86,778</u>	<u>85,871</u>	<u>93,023</u>	<u>91,684</u>	
(21,045)	(19,912)	(23,597)	(31,110)	(33,853)	(51,011)	
9,333	5,951	5,332	(1,256)	7,075	7,165	
<u>\$ (11,712)</u>	<u>\$ (13,961)</u>	<u>\$ (18,265)</u>	<u>\$ (32,366)</u>	<u>\$ (26,778)</u>	<u>\$ (43,846)</u>	

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property taxes	\$ 18,640	\$ 19,718	\$ 18,270	\$ 20,087
Sales and use taxes	17,747	18,588	15,705	16,589
Hotel occupancy taxes	4,958	3,742	4,058	4,722
Franchise taxes	5,450	4,807	4,756	5,009
Payments in lieu of taxes	126	120	120	120
Unrestricted investment earnings	1,483	219	115	89
Miscellaneous	224	418	438	1,113
Loss of assets due to Hurricane Ike	(2,022)	-	-	-
Impairment of capital assets due to Hurricane Ike	(1,867)	1,112	-	-
Insurance proceeds	-	4,863	7,170	-
Transfers	600	562	695	(18,863)
Total governmental activities general revenues and other changes in net position	45,339	54,149	51,327	28,866
Business-Type Activities:				
Net gain on sale of asset	1,805	877	169	-
Unrestricted investment earnings	136	28	106	155
Miscellaneous	-	-	-	158
Impairment of capital assets due to Hurricane Ike	(17,897)	-	(34)	-
Insurance proceeds	-	3,509	220	-
Transfers	(600)	(562)	(695)	18,863
Total business-type activities general revenues and other changes in net position	(16,556)	3,852	(234)	19,176
Total primary government general revenues and other changes in net position	28,783	58,001	51,093	48,042
Changes in Net Position:				
Governmental activities	13,341	18,815	56,566	(15,211)
Business-type activities	(10,521)	8,804	14,147	23,743
Total primary government changes in net position	\$ 2,820	\$ 27,619	\$ 70,713	\$ 8,532

							Fiscal Year					
2012		2013		2014		2015		2016		2017		
\$	21,489	\$	21,988	\$	22,920	\$	23,272	\$	25,963	\$	28,509	
	17,712		18,638		19,978		20,588		20,956		21,143	
	5,507		5,500		6,092		7,068		11,782		11,731	
	5,073		5,043		5,267		5,245		5,386		5,563	
	119		125		165		207		268		289	
	122		179		120		299		492		444	
	3,418		2,535		927		523		3,038		1,699	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	-		-		-		7,111		-		-	
	(18,830)		(23,124)		(23,601)		(18,951)		(29,007)		(9,260)	
	<u>34,610</u>		<u>30,884</u>		<u>31,868</u>		<u>45,362</u>		<u>38,878</u>		<u>60,118</u>	
	-		-		-		-		-		273	
	132		153		54		179		154		281	
	228		4,075		165		30		1		189	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	<u>18,830</u>		<u>23,124</u>		<u>23,601</u>		<u>18,951</u>		<u>29,007</u>		<u>9,260</u>	
	<u>19,190</u>		<u>27,352</u>		<u>23,820</u>		<u>19,160</u>		<u>29,162</u>		<u>10,003</u>	
	<u>53,800</u>		<u>58,236</u>		<u>55,688</u>		<u>64,522</u>		<u>68,040</u>		<u>70,121</u>	
	13,565		10,972		8,270		14,252		5,024		9,107	
	28,523		33,303		29,153		17,904		36,238		17,168	
\$	<u>42,088</u>	\$	<u>44,275</u>	\$	<u>37,423</u>	\$	<u>32,156</u>	\$	<u>41,262</u>	\$	<u>26,275</u>	

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Prepaid items	86,688	100,407	101,738	88,521
Restricted:				
Debt service	-	-	-	-
Committed:				
Other	-	-	-	363,296
Assigned:				
Other	-	-	-	-
Emergency reserves	2,625,226	2,825,226	3,025,226	3,402,225
Unassigned	11,421,882	13,751,737	8,580,214	6,588,090
Total General fund	<u>\$ 14,133,796</u>	<u>\$ 16,677,370</u>	<u>\$ 11,707,178</u>	<u>\$ 10,442,132</u>
All other governmental funds				
Nonspendable:				
Inventories	\$ 363,026	\$ 363,212	\$ 193,611	\$ 151,858
Prepaid items	-	-	-	-
Restricted:				
Debt service	7,044,374	7,603,944	7,643,345	8,447,339
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	14,130,090	14,662,428	16,854,667	29,207,678
Grants	-	-	-	-
Other	69,031	176,765	287,163	-
Convention Center Operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	1,492,648	1,552,638	2,680,920	2,145,641
Assigned:				
Other	(127,495)	33,210,416	30,831,813	-
Unassigned	-	-	-	(147,964)
Total all other governmental funds	<u>\$ 22,971,674</u>	<u>\$ 57,569,403</u>	<u>\$ 58,491,519</u>	<u>\$ 39,804,552</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						
2012	2013	2014	2015	2016	2017	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49,626	47,206	85,379	92,764	88,427	79,354	
363,296	363,296	2,519,528	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
3,425,226	3,575,226	3,575,226	3,575,226	3,575,226	11,968,618	
12,939,901	14,751,167	13,706,159	14,989,479	16,995,557	5,738,923	
<u>\$ 16,778,049</u>	<u>\$ 18,736,895</u>	<u>\$ 19,886,292</u>	<u>\$ 18,657,469</u>	<u>\$ 20,659,210</u>	<u>\$ 17,786,895</u>	
\$ 148,976	\$ 162,672	\$ 259,579	\$ 264,300	\$ 294,596	\$ 129,879	
-	-	-	249,875	-	-	
12,515,705	12,749,073	6,634,959	5,139,884	4,254,333	4,408,675	
4,921,580	968,854	3,228,192	864,030	1,056,745	1,212,904	
-	-	-	-	-	4,393,781	
15,276,707	21,195,867	20,634,660	26,858,694	21,549,478	46,396,468	
8,782,571	8,775,316	10,143,558	10,128,787	1,833,048	951,233	
-	-	-	-	-	-	
-	-	3,821,514	4,066,682	520,419	1,837,916	
-	-	2,815,873	3,375,562	4,154,602	1,055,608	
1,834,852	1,353,703	1,633,932	7,517,189	12,933,623	5,404,901	
-	-	-	-	-	6,346,778	
(188,367)	(138,902)	(109,360)	(241,400)	(430,719)	(14,770)	
<u>\$ 43,292,024</u>	<u>\$ 45,066,583</u>	<u>\$ 49,062,907</u>	<u>\$ 58,223,603</u>	<u>\$ 46,166,125</u>	<u>\$ 72,123,373</u>	

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes:				
Property taxes	\$ 18,647,994	\$ 19,530,352	\$ 18,284,008	\$ 20,133,281
Sales and use taxes	22,704,813	22,329,682	19,762,544	21,310,423
Franchise taxes	5,450,345	4,806,846	4,756,164	5,009,456
Licenses and permits	1,000,361	1,784,222	1,161,760	1,143,096
Fines and forfeitures	2,601,586	2,326,075	2,040,355	2,833,357
Charges for services	2,838,980	2,075,934	2,285,567	2,647,526
Investment earnings	1,378,287	414,544	103,811	77,639
Intergovernmental	16,654,859	83,977,409	68,424,863	54,464,276
Other	1,567,770	1,427,391	2,388,035	2,235,767
Payments in lieu of taxes	125,880	119,753	120,117	-
Total Revenues	<u>72,970,875</u>	<u>138,792,208</u>	<u>119,327,224</u>	<u>109,854,821</u>
Expenditures				
General government	5,482,693	5,934,113	7,642,352	6,565,344
Public safety	31,028,485	28,674,367	28,881,042	27,751,162
Highways and roads	9,479,789	66,170,885	17,007,107	20,947,719
Culture and recreation	7,816,000	8,800,651	6,697,503	7,933,345
Planning and community development	3,531,916	3,293,090	6,420,644	30,051,147
Transportation	5,022,723	4,418,959	4,941,417	5,115,134
Capital outlay	8,027,872	7,223,020	33,770,019	26,735,581
Debt Service:				
Principal	1,976,368	2,048,866	22,393,732	2,474,843
Interest and other charges	3,501,027	3,451,105	3,479,515	3,657,873
Total Expenditures	<u>75,866,873</u>	<u>130,015,056</u>	<u>131,233,331</u>	<u>131,232,148</u>
Excess of revenues over (under) expenditures	(2,895,998)	8,777,152	(11,906,107)	(21,377,327)
Other Financing Sources (Uses)				
Premiums on debt issued	-	-	-	-
Bonds issued	-	-	-	8,029,904
Payments to refunding bond escrow agent	-	-	-	(7,810,944)
Issuance of debt	-	-	-	150,000
Proceeds from loan	-	22,500,000	-	-
Sale of assets	61,239	21,898	(3,808)	150,489
Capital contributions	-	316,072	-	-
Transfers in	4,264,684	4,696,451	6,295,984	4,281,316
Transfers (out)	(3,663,853)	(4,080,005)	(5,601,169)	(3,378,451)
Total Other Financing Sources (Uses)	<u>662,070</u>	<u>23,454,416</u>	<u>691,007</u>	<u>1,422,314</u>
Extraordinary item - insurance proceeds from Hurricane Ike	-	4,909,735	7,170,024	-
Net change in fund balances	<u>\$ (2,233,928)</u>	<u>\$ 37,141,303</u>	<u>\$ (4,045,076)</u>	<u>\$ (19,955,013)</u>
Debt service as a percentage of noncapital expenditures	8.1%	4.5%	26.5%	5.9%

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 21,581,964	\$ 22,134,235	\$ 23,063,200	\$ 23,215,372	\$ 26,076,657	\$ 28,357,560	
23,218,434	24,137,885	26,477,757	27,656,239	31,899,257	31,994,292	
5,073,022	5,042,575	5,267,085	5,244,681	6,224,831	6,542,201	
1,260,920	1,157,610	1,226,220	1,437,379	1,330,049	1,142,579	
2,466,092	2,243,919	1,991,045	1,775,217	1,877,085	1,667,151	
2,703,729	3,290,246	3,818,853	4,211,953	4,040,969	4,112,023	
103,988	149,833	101,853	257,725	426,697	397,473	
62,395,037	47,740,626	40,750,422	42,403,382	37,174,025	37,662,122	
2,633,854	974,471	1,163,677	8,390,920	7,927,895	2,287,674	
-	-	-	-	-	188,561	
<u>121,437,040</u>	<u>106,871,400</u>	<u>103,860,112</u>	<u>114,592,868</u>	<u>116,977,465</u>	<u>114,351,636</u>	
5,862,705	6,478,540	6,881,718	8,030,642	7,870,018	9,383,448	
26,312,416	26,953,671	27,522,088	26,895,220	28,662,210	30,744,605	
4,376,642	4,171,875	3,707,638	3,559,100	3,623,002	3,933,319	
7,902,712	6,964,476	9,101,210	10,002,638	16,080,344	15,326,905	
33,911,247	11,784,903	5,086,927	4,367,107	4,026,954	8,838,704	
5,057,683	5,291,857	5,562,920	5,656,739	5,853,333	5,543,757	
28,211,925	33,036,633	34,977,699	21,545,616	41,872,758	38,569,718	
3,460,785	7,420,397	6,030,509	4,681,927	6,520,000	5,126,769	
3,385,968	3,311,138	2,561,735	2,500,163	3,893,170	1,911,402	
<u>118,482,083</u>	<u>105,413,490</u>	<u>101,432,444</u>	<u>87,239,152</u>	<u>118,401,789</u>	<u>119,378,627</u>	
2,954,957	1,457,910	2,427,668	27,353,716	(1,424,324)	(5,026,991)	
2,632,838	1,700,560	-	832,890	2,455,092	2,708,151	
-	-	-	5,900,000	17,365,000	22,600,000	
-	(42,296,436)	-	(6,583,192)	(19,522,803)	-	
1,564,791	41,165,000	1,071,675	-	-	-	
-	-	-	-	-	-	
1,990,040	467,254	49,650	99,109	29,260	87,474	
-	-	-	-	-	-	
2,816,126	13,261,479	9,599,009	6,666,229	5,654,928	37,901,933	
(2,135,363)	(12,022,362)	(8,002,281)	(26,336,878)	(5,034,951)	(36,849,302)	
<u>6,868,432</u>	<u>2,275,495</u>	<u>2,718,053</u>	<u>(19,421,842)</u>	<u>946,526</u>	<u>26,448,256</u>	
-	-	-	-	-	-	
<u>\$ 9,823,389</u>	<u>\$ 3,733,405</u>	<u>\$ 5,145,721</u>	<u>\$ 7,931,874</u>	<u>\$ (477,798)</u>	<u>\$ 21,421,265</u>	
7.6%	14.8%	12.9%	10.2%	11.2%	8.3%	

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	
2008	2007	\$ 2,017,563,012	\$ 3,434,393,698	\$ 414,272,322	\$ 1,726,137,187
2009	2008	2,238,512,202	3,448,537,786	481,608,711	1,738,355,125
2010	2009	1,895,989,601	2,915,703,876	471,811,336	1,505,666,315
2011	2010	2,326,513,779	3,180,929,673	448,096,912	1,653,285,702
2012	2011	2,389,829,758	3,186,490,428	496,632,617	1,656,461,844
2013	2012	2,492,520,267	3,231,185,848	447,606,979	1,660,988,116
2014	2013	2,578,072,508	3,219,107,042	512,611,154	1,660,330,009
2015	2014	2,773,011,254	3,225,158,603	539,398,047	1,663,741,467
2016	2015	2,972,643,369	3,280,478,885	535,883,517	1,741,560,555
2017	2016	3,530,550,860	3,546,483,869	504,213,719	1,889,526,974

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.

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 4,140,091,845	0.49400%	\$ 6,183,802,150	66.95%
4,430,303,574	0.49400%	6,518,843,089	67.96%
3,777,838,498	0.55400%	5,602,592,850	67.43%
4,302,254,662	0.55400%	6,273,760,599	68.58%
4,416,490,959	0.55400%	6,420,552,045	68.79%
4,510,324,978	0.55400%	6,508,502,012	69.30%
4,649,460,695	0.55400%	6,672,920,667	69.68%
4,873,826,437	0.53389%	6,936,435,152	70.26%
5,047,445,216	0.52900%	7,166,530,940	70.43%
5,691,721,474	0.52600%	7,989,444,014	71.24%

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**

*Last Ten Fiscal Years
(Unaudited)*

Fiscal Year	City Direct Rates				Overlapping Rates					
	General	Library	Debt Service	Total Direct	Galveston Independent School District	Galveston College	Navigation District 1	Galveston County	Total Millage	
2008	\$ 0.38980	\$ 0.0500	\$ 0.05420	\$ 0.49400	\$ 1.17500	\$ 0.17000	\$ 0.03300	\$ 0.56860	\$ 2.44060	
2009	0.39310	0.0500	\$ 0.05090	0.49400	1.16500	0.17000	0.03200	0.55860	2.41960	
2010	0.44040	0.0500	\$ 0.06360	0.55400	1.16500	0.19000	0.04800	0.61860	2.57560	
2011	0.44640	0.0500	\$ 0.05760	0.55400	1.16500	0.18950	0.04880	0.61980	2.57710	
2012	0.45120	0.0500	\$ 0.05280	0.55400	1.16500	0.18950	0.04660	0.61290	2.56800	
2013	0.45320	0.0500	\$ 0.05080	0.55400	1.16500	0.18940	0.04660	0.59990	2.55490	
2014	0.45513	0.0500	\$ 0.04887	0.55400	1.16500	0.18700	0.04662	0.58980	2.54242	
2015	0.43658	0.0500	\$ 0.04731	0.53389	1.15500	0.18700	0.04662	0.57884	2.50135	
2016	0.43395	0.0500	\$ 0.04505	0.52900	1.15500	0.17875	0.04529	0.56125	2.46929	
2017	0.44102	0.0500	\$ 0.03498	0.52600	1.15500	0.17025	0.04167	0.54625	2.43917	

Source: Galveston Central Appraisal District, 2016 Taxing Entities and Tax Rates

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Tax Year 2016		% of Total Assessed Valuation	Tax Year 2007		% of Total Assessed Valuation
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
CenterPoint Energy Inc	\$ 45,827,826	1	0.81%	\$ 39,945,820	1	0.96%
Fertitta Hospitality Inc	38,570,690	2	0.68%	28,512,220	4	0.69%
Willie G's Post Oak Inc	30,077,185	3	0.53%			
Eighteen Seventy Strand Corp	22,125,280	4	0.39%			
TFT Galveston Portfolio LTD	18,501,120	5	0.33%			0.00%
Silverleaf Resorts Inc	17,711,280	6	0.31%			
Galveston Island Water Park LP	17,293,370	7	0.30%	26,790,220	5	0.65%
Galveston Terminals Inc	15,019,290	8	0.26%			
AET Lighting Services LLC	14,297,132	9	0.25%			
Island Hospitality Inc	13,991,940	10	0.25%			
Centex Homes	-			39,124,959	2	0.95%
Club Lodging LTD Partnership	-			36,394,215	3	0.88%
American National Insurance Co	-			18,585,390	6	0.45%
Southwestern Bell Telephone Co	-			16,261,670	7	0.39%
Evia Partners LTD	-			14,594,540	8	0.35%
Halliburton Energy Services, Inc.	-			13,277,700	9	0.32%
Harbor Properties	-			13,197,230	10	0.32%
	-					
	233,415,113		4.1%	246,683,964		6.0%
Other taxpayers	5,458,306,361		95.9%	3,893,407,881		94.0%
Total Assessed Valuation	\$ 5,691,721,474		100.0%	\$ 4,140,091,845		100.0%

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
2008	2007	0.49400%	\$18,845,581	\$17,848,399	94.7%	\$482,864	\$18,331,263	97.3%
2009	2008	0.49400%	19,933,324	18,814,521	94.4%	383,514	19,198,035	96.3%
2010	2009	0.55400%	18,549,699	17,435,131	94.0%	525,369	17,960,500	96.8%
2011	2010	0.55400%	20,259,666	19,157,461	94.6%	628,686	19,786,147	97.7%
2012	2011	0.55400%	21,237,761	20,665,231	97.3%	534,159	21,199,390	99.8%
2013	2012	0.55400%	21,871,371	21,295,639	97.4%	513,930	21,809,569	99.7%
2014	2013	0.55400%	22,575,966	22,198,509	98.3%	384,119	22,582,628	100.0%
2015	2014	0.53389%	22,892,129	22,463,530	98.1%	414,562	22,878,092	99.9%
2016	2015	0.52900%	25,901,327	25,406,740	98.1%	437,410	25,844,150	99.8%
2017	2016	0.52600%	30,152,214	29,522,107	97.9%	353,310	29,875,417	99.1%

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

* Fiscal year 2017 amount collected within the fiscal year was corrected subsequent to audit report.

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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**
2008	21,967	35,535	748	22,905	19,508
2009	20,963	34,010	880	22,772	24,111
2010	19,834	32,835	606	22,691	2,601
2011	18,478	31,595	212	22,605	2,516
2012	21,702	30,290	1,654	22,516	2,854
2013	18,569	26,690	1,291	19,572	3,029
2014	18,950	25,960	882	16,900	2,714
2015	16,907	25,200	-	14,153	3,039
2016	30,560	24,390	-	9,789	5,016
2017	36,672	23,525	-	5,829	5,102

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

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

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

Business-Type Activities				Total Primary Government	Percentage of Personal Income*	Percentage of Actual Taxable Value of Property	Per Capita*
Revenue Bonds	Capital Leases	Certificates of Obligation	Other**				
45,420	1,278	16,849	46,085	210,295	1183%	3.4%	3,553
43,670	921	16,146	51,361	214,834	1209%	3.3%	4,270
41,765	649	15,668	49,484	186,133	1048%	3.3%	3,301
39,800	397	15,174	43,593	174,370	739%	2.8%	3,652
37,955	135	14,658	40,651	172,415	731%	2.7%	3,559
35,755	-	14,116	30,767	149,789	603%	2.3%	3,136
33,525	-	13,674	26,820	139,425	528%	2.1%	2,861
28,810	-	13,210	25,674	126,993	485%	1.8%	2,560
23,515	-	-	21,576	114,846	431%	1.6%	2,289
21,910	-	33,355	21,603	147,995	541%	1.9%	2,928

RATIOS OF GENERAL BONDED DEBT OUTSTANDING*Last Ten Fiscal Years**Amounts in (000's) except per capita amounts**(Unaudited)*

Fiscal Year	Tax Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2008	2007	21,967	3,955	18,012	0.29%	304
2009	2008	20,963	4,505	16,458	0.25%	327
2010	2009	19,834	4,557	15,277	0.27%	271
2011	2010	18,478	4,611	13,867	0.22%	290
2012	2011	21,702	3,766	17,936	0.28%	370
2013	2012	18,569	4,039	14,530	0.22%	304
2014	2013	18,950	4,403	14,547	0.22%	299
2015	2014	16,907	3,238	13,669	0.20%	276
2016	2015	30,560	4,254	26,306	0.37%	524
2017	2016	33,834	3,579	30,255	0.38%	599

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

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

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

**DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

September 30, 2017
(Unaudited)

Taxing Jurisdiction	Gross Debt	Overlapping	
		Estimated Percentage *	Amount
Galveston County	\$ 211,676,296	24.03%	\$ 50,865,814
Galveston Independent School District	47,009,999	84.83%	39,878,582
Galveston County Municipal Utility District #30	4,640,000	100.00%	4,640,000
Total Overlapping Debt			<u>95,384,396</u>
City Direct Debt			<u>71,127,270</u>
Total Direct and Overlapping Debt			<u>\$ 166,511,666</u>
Ratio of Direct and Overlapping Funded Debt to 2017 Taxable Assessed Valuation			<u>2.93%</u>
Per Capita Debt - Direct and Overlapping			<u>\$ 3,294</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	Per Capita Personal Income ¹	Median Age ¹	Educational Level in Years of Formal Schooling ¹	School Enrollment ²	Unemployment Rate ³	Average Value of Building Permits Issued ⁴
2008	59,186	\$ 1,051,676	\$ 17,769	35.5	12.0	6,876	5.6%	\$ 298
2009	50,308	893,923	17,769	35.5	12.0	6,047	7.7%	166
2010	56,391	1,002,012	17,769	38.8	12.0	6,400	8.4%	125
2011	47,743	1,125,828	23,581	38.8	12.0	6,400	8.9%	109
2012	48,444	1,142,358	23,581	38.8	12.0	6,450	7.6%	109
2013	47,762	1,185,548	24,822	38.8	12.0	6,450	7.7%	227
2014	48,733	1,287,039	26,410	38.8	12.0	6,800	5.6%	173
2015	49,608	1,297,944	26,164	37.3	12.0	6,813	6.3%	167
2016	50,180	1,338,050	26,665	36.3	12.0	6,976	4.8%	171
2017	50,550	1,383,351	27,366	37.0	12.0	6,884	5.0%	142

Data Sources:

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

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

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago
(Unaudited)

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment (A)	Employees	Rank	Percentage of Total City Employment (A)
University of Texas Medical Branch	8,254	1	28.10%	9,000	1	34.09%
Landry's Restaurants	2,788	2	9.49%	1,300	4	4.92%
Galveston County (on Island only)	1,340	3	4.56%	460	9	1.74%
Galveston Independent School District	1,100	4	3.75%	1,361	3	5.16%
Moody Gardens	1,027	5	3.50%	922	5	3.49%
American National Insurance Company	845	6	2.88%	1,600	2	6.06%
City of Galveston	744	7	2.53%	780	6	2.95%
Schlitterbahn*	500	8	1.70%	-	-	0.00%
Walmart	475	9	1.62%	-	-	0.00%
ILA (Local 20, 1665, 15048, 1443)	470	10	1.60%	-	-	0.00%
Mitchell Historic Properties	379	11	1.29%	-	-	0.00%
Texas A&M University at Galveston	375	12	1.28%	397	11	1.50%
Fertitta Hospitality	-	-	0.00%	566	7	2.14%
Galveston College	-	-	0.00%	543	8	2.06%
U.S. Army Corps of Engineers	-	-	0.00%	400	10	1.52%
	<u>18,297</u>		<u>62.30%</u>	<u>17,329</u>		<u>65.63%</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
City Secretary	3	4	3	3	3	3	3	3	4	4
Municipal Court	13	9	9	10	10	10	9	9	9	8
City Manager	4	4	3	5	5	4	4	4	6	6
City Auditor	1	1	-	1	1	2	2	2	2	2
Finance	16	20	18	13	13	14	15	16	19	19
Legal	5	5	5	5	5	6	6	6	6	7
Human Resources	4	4	5	4	3	3	3	3	4	5
Public Safety:										
Police	205	192	197	131	177	177	188	185	185	190
Fire	131	119	124	115	115	115	115	115	118	120
Emergency Management	1	2	1	1	1	2	2	2	2	2
City Marshal	-	-	-	-	-	-	-	-	1	1
Public Works:										
Streets and Traffic	51	44	45	31	31	36	42	42	46	43
Parks	38	44	39	34	34	33	34	34	36	39
Planning and Community Development	35	42	54	23	24	24	23	23	25	25
Waterworks	34	36	39	32	32	35	37	41	40	45
Sewer System	69	55	65	69	69	80	81	84	87	90
Drainage Utility	16	16	7	23	23	26	35	35	34	33
Municipal Golf Course	-	-	-	-	-	-	-	-	-	-
Sanitation	43	39	39	45	45	45	48	48	58	59
Municipal Airport	9	8	8	8	8	8	8	8	8	8
Central Service	12	9	10	12	12	13	14	15	16	18
Central Garage	22	20	19	22	22	22	22	22	24	22
Municipal Insurance	2	2	-	2	2	2	2	2	2	2
Construction Management	7	7	6	5	5	5	5	5	6	13
Island Transit	59	48	52	52	52	52	52	52	58	58
Total	<u>780</u>	<u>730</u>	<u>748</u>	<u>646</u>	<u>692</u>	<u>717</u>	<u>750</u>	<u>756</u>	<u>796</u>	<u>819</u>

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OPERATING INDICATORS BY FUNCTION*Last Ten Fiscal Years
(Unaudited)*

Function	Fiscal Year			
	2008	2009	2010	2011
Police:				
Physical arrests	10,889	7,154	7,043	6,593
Parking violations	18,600	5,733	4,391	11,951
Traffic violations	32,804	31,072	25,499	40,676
Fire:				
Calls	7,852	7,024	6,382	8,645
Inspections	2,099	1,913	2,123	735
Water:				
Service connections	22,688	25,083	26,305	23,966
Average daily consumption (gallons)	16,458,298	15,399,203	16,013,795	16,143,437
Sewer:				
Average daily flow (gallons)	8,161,875	8,175,912	8,529,000	6,694,692
Maximum daily capacity of plants (gallons)	14,580,000	14,580,000	14,580,000	14,580,000

Source: Various City Departments.

Fiscal Year					
2012	2013	2014	2015	2016	2017
7,065	7,597	6,039	6,356	6,178	5,176
27,680	9,267	25,556	12,320	15,406	18,834
15,328	28,765	22,148	20,243	20,915	16,054
6,681	6,311	7,020	7,172	7,700	7,360
1,324	407	1,678	1,693	2,750	1,964
21,323	20,595	23,294	19,938	21,623	21,945
14,480,142	14,570,688	14,557,447	14,509,978	14,170,071	14,092,921
7,108,791	7,854,000	7,136,000	8,826,700	9,302,558	7,420,000
14,580,000	14,500,000	17,713,000	14,550,000	14,550,000	14,874,000

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

Function	Fiscal Year			
	2008	2009	2010	2011
Police:				
Stations	1	1	3	4
Patrol Units	60	63	51	67
Police officers	158	152	158	131
Fire:				
Stations	6	6	6	6
Fire fighters	120	120	112	115
Highways and streets:				
Streets (miles)	321	321	321	321
Street lights	4,212	4,236	4,257	4,444
Culture and recreation:				
Parks acreage	128	50	50	50
Parks	10	14	14	14
Tennis courts	19	15	15	16
Community centers	2	2	2	2
Cemeteries	6	5	5	2
Athletic fields	20	22	22	11
Swimming pools	-	-	-	-
Water:				
Water mains (miles)	380	385	386	388
Fire hydrants	2,368	2,410	2,414	2,422
Maximum daily capacity (thousands of gallons)	33,000,000	33,000,000	33,000,000	33,000,000
Sewer:				
Treatment plants	5	4	4	4
Sanitary sewers (miles)	238	238	243	243
Storm sewers (miles)	75	75	75	75
Maximum daily treatment capacity (thousands of gallons)	14,580,000	14,580,000	8,529,000	14,580,000

Source: Various City Departments.

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

Fiscal Year						
2012	2013	2014	2015	2016	2017	
1	2	1	1	1	1	1
55	60	74	78	65	68	68
139	143	143	140	136	132	132
6	6	6	6	6	6	6
108	115	109	109	112	112	112
321	321	321	321	324	324	324
4,365	4,377	4,411	4,417	4,405	4,405	4,405
50	168	168	168	168	168	168
14	14	14	14	13	13	13
16	16	16	16	16	16	16
2	2	2	2	2	2	2
2	7	7	7	6	6	6
11	12	12	12	11	11	11
-	-	-	-	-	-	1
389	389	389	389	391	391	391
2,422	2,422	2,552	2,555	2,555	2,555	2,555
37,150,000	39,700,000	39,700,000	36,500,000	21,500,000	21,500,000	21,500,000
4	4	4	4	4	4	4
243	243	243	243	244	244	244
75	75	75	75	75	75	75
14,580,000	14,250,000	14,250,000	14,750,000	14,874,000	14,874,000	14,874,000