

Annual Comprehensive Financial Report

.....
For Fiscal Year Ended September 30, 2021



**CITY OF GALVESTON,
TEXAS**



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**Fiscal Year Ended
September 30, 2021**

**Prepared by:
Finance Department**

Introductory Section

Letter of Transmittal..... 1
 Principal Officials..... 15
 GFOA Certificate of Achievement..... 18

Financial Section

Report of Independent Auditors..... 21
 Management’s Discussion and Analysis 25

Basic Financial Statements

Government - Wide Financial Statements

Statement of Net Position 39
 Statement of Activities..... 40

Fund Financial Statements

Governmental Funds

Balance Sheet 42
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 43
 Statement of Revenues, Expenditures, and Changes in Fund Balances 44
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 45

Proprietary Funds

Statement of Net Position 46
 Statement of Revenues, Expenses and Changes in Fund Net Position 47
 Statement of Cash Flows..... 48

Fiduciary Funds

Statement of Fiduciary Net Position 50
 Statement of Changes in Fiduciary Net Position 51

Notes to the Financial Statements

Notes to the Financial Statements..... 53

Required Supplementary Information

General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual.. 93
 General Obligation Bonds 2019 Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual 94
 American Rescue Plan Act - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual..... 95
 Required Pension System Supplementary Information 96
 Schedule of Contributions..... 102
 Notes to Schedule of Contributions 103

Required Other Post Employment Benefit (OPEB) Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios..... 104

Other Supplementary Information

Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Funds

Combining Balance Sheet 108
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance 114

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Island Transit 120
 Rosenberg Library 121

Project Specific Programs	122
Cable Television Public Education & Government Fund	123
Parking Management Fund	124
Seawall Parking Fund.....	125
Arts and Historical Fund	126
Neighborhood Revitalization.....	127
Public Safety Programs	128
Convention Center Surplus Fund	129
Infrastructure and Debt Service Fund.....	130
Judicial Programs	131
Lasker Pool.....	132
Pension Reform Fund.....	133
Recovery and Capital Reserve Fund.....	134
Separation Pay Fund.....	135
Revenue Producing Parks.....	136
Technology Replacement Fund	137
Hurricane Harvey Fund	138
General Obligation Bonds 2017 Capital Projects Fund	139
Debt Service Fund.....	140
Non-Major Enterprise Funds	
Combining Statement of Net Position.....	142
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	143
Combining Statement of Cash Flows	144
Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual	
Combined Utility System	145
Sanitation Services.....	146
Drainage Utility	147
Airport.....	148
Internal Service Funds	
Combining Statement of Net Position.....	150
Combining Statement of in Fund Net Position	152
Combining Statement of Cash Flows.....	154
Pension Trust Funds	
Combining Statement of Net Position.....	158
Combining Statement of Changes in Net Position.....	159
Major Discretely Presented Component Units	
Combining Statement of Net Position	162
Combining Statement of Activities	164
Unaudited Statistical Section	
Net Position by Component.....	170
Changes in Net Position.....	172
Fund Balances of Governmental Funds.....	176
Changes in Fund Balances of Governmental Funds.....	178
Assessed Value and Estimated Actual Value of Taxable Property	180
Property Tax Rates - Direct and Overlapping Governments	182
Principal Property Taxpayers.....	183

Property Tax Levies and Collections	184
Ratios of Outstanding Debt by Type.....	186
Ratios of General Bonded Debt Outstanding	188
Direct and Estimated Overlapping Governmental Activities Debt	189
Demographic and Economic Statistics.....	190
Principal Employers.....	191
Full-time Equivalent City Government Employees by Function	192
Operating Indicators by Function	194
Capital Asset Statistics by Function	196

Introductory Section



2021 Annual Comprehensive Financial Report



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City of Galveston



P.O. Box 779 / Galveston, Texas 77553

Annual Comprehensive Financial Report for Fiscal Year Ending September 30, 2021

Letter of Transmittal

March 24, 2022

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 annual comprehensive financial report (the Annual Report) of the City of Galveston, Texas (the City) for the fiscal year ended September 30, 2021.

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, 2021, 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, 2021 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, City Attorney, City 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 consecutive 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, an airport and a mass transit system.

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 Island Redevelopment Authority (GIRDA), which manages funds from one tax reinvestment zone and two public improvement districts for development and improvement projects within specific geographic areas of the City;
- The Galveston Housing Finance Corporation (GHFC) which provides home mortgages and loans to lending institutions for the purpose of making home mortgages;
- The City of Galveston Property Finance Authority, Inc.(GPFC) 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.

In FY 2020, the City Council reorganized the board of GIRDA giving it oversight and governance powers over the GHFC and GPFC in addition to the GIRDA itself.

The annual budget serves as the foundation for the City's financial planning and control. Since FY 2016, the budget process has included a five-year forecast of revenue and expenditures with preliminary results presented to the City Council in June. The forecast frames issues for consideration by the 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 no later than 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 the City Council ratifies or modifies it. Also, in August and September, the Council holds public hearings on the proposed property tax rate required to support the budget. The rate is then adopted in September after the budget is adopted in accordance with State law.

The budget is prepared for every operating and capital fund, function (e.g. public safety), and department (e.g. police). Subsequently, the Budget ordinance proposed to and passed by the City Council provides specific appropriations for individual departments within each fund that govern spending plans for the fiscal year. During the year, the City Manager may make budget transfers within a City Council-approved appropriation department and fund without prior approval by City Council. Transfers of appropriations within a fund and between departments, however, require the approval of the City Council. Year-to-date results and

year ending projections of operating revenue, expense and fund balances are documented for all budgeted operating funds in quarterly reports to the Mayor and City Council. The status of capital projects and capital funds are also included in these quarterly reports. Issues identified through this reporting process result in budget amendments approved by the 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 in the subsequent year's budget.

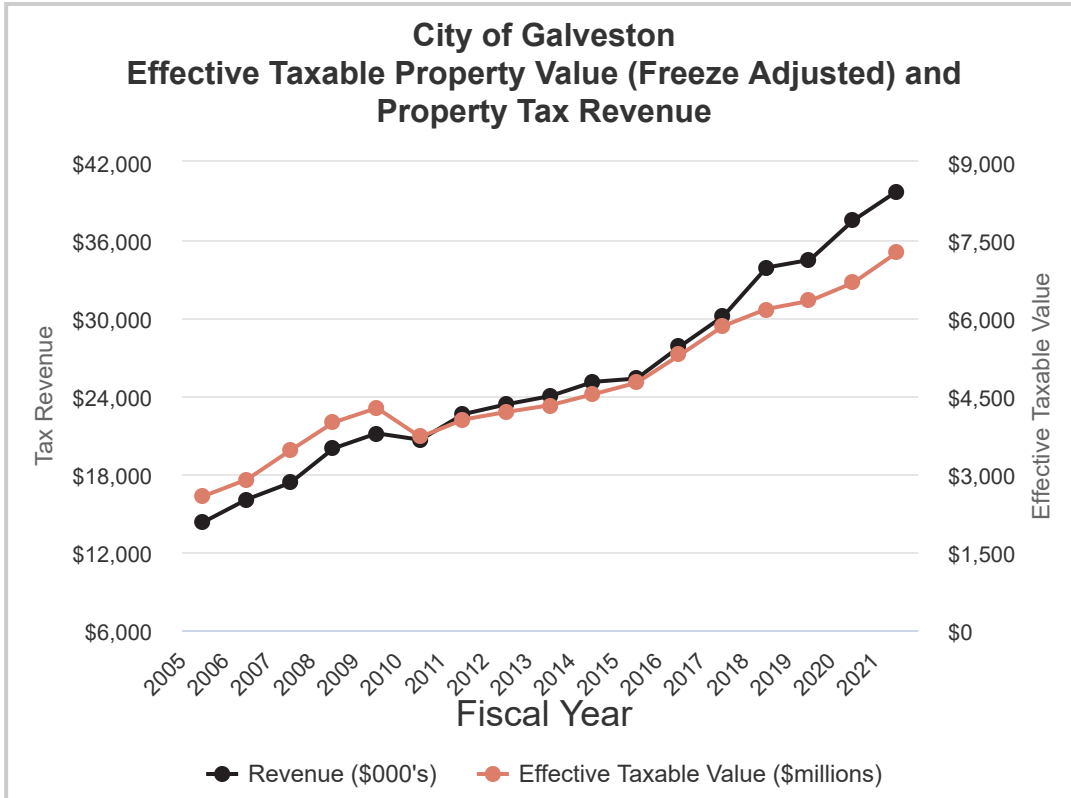
This Annual Comprehensive Financial Report includes budget-to-actual comparisons for the most significant governmental funds including the General Fund, Debt Service Fund, Island Transit special fund and Rosenberg Library special fund. Budget-to-actual comparisons are also presented for the Combined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

Economic Climate

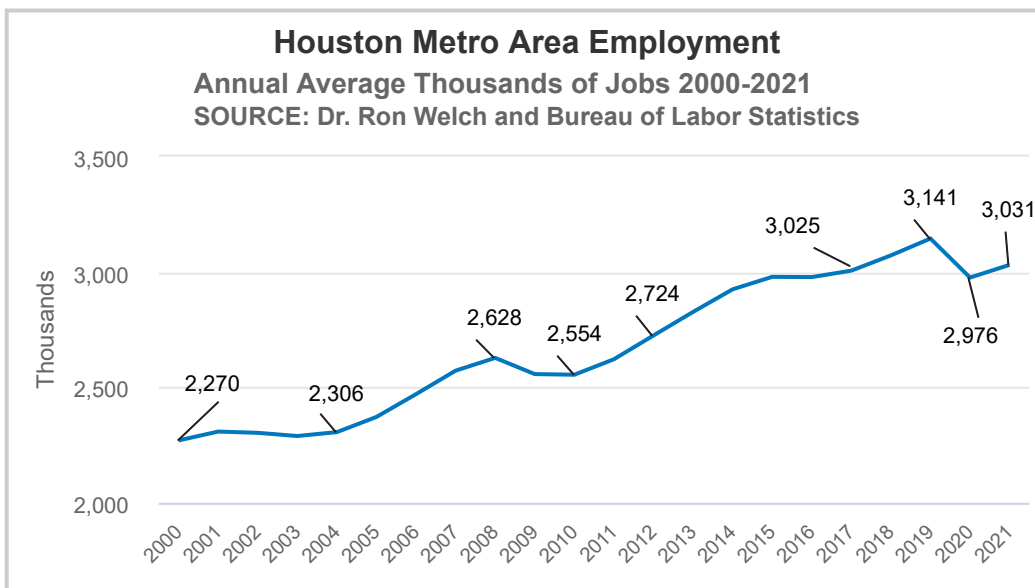
Galveston's economy is healthy and growing because of its location and climate in spite of challenges from natural disasters, weather events and economic downturns. Galveston is located on the Gulf of Mexico at the mouth of Galveston Bay. The Gulf Coast of Texas normally experiences mild winters and 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 economic impact of the global pandemic had a substantial impact on the Galveston economy like that experienced across the region, state and nation. Last year's financial report presented the near-term results of the pandemic which were somewhat less than expected. This year's financial report presents results that show the recovery is well underway with full recovery expected over the next twelve to eighteen months ending in early to mid-2023.

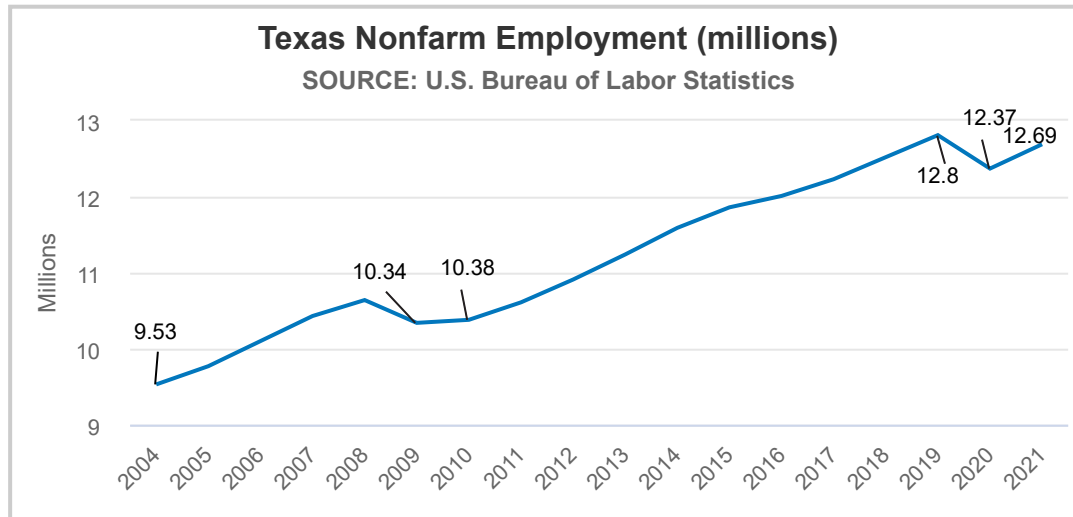
Every significant economic statistic affecting Galveston and presented in this Annual Report now reflects two significant downturns. The first involved the simultaneous arrival of Hurricane Ike and the Great Recession in 2008. After Galveston's taxable property values fell 13 percent to \$3.7 billion, it took four years for taxable property value to return to its pre-Ike level. Post-recession economic recovery brought sustained growth and taxable value to \$7.3 billion in FY 2021 (Source: Galveston County Appraisal District). The effective annual rate of increase in the City's taxable value from FY 2009 through FY 2021, was 7.07 percent including the loss incurred after Hurricane Ike in FY 2010. Property tax collections were strong in FY 2021, despite the pandemic at 101.3 percent of the effective taxable value adjusted for the property tax freeze. In FY 2021, the property tax freeze provided \$1.41 million in property tax savings for eligible homeowners who were over 65 and disabled.



The second significant economic downturn occurred in FY 2020 caused by the COVID-19 pandemic and recovery is still underway. The Houston-Galveston metro area lost 341,700 jobs in April 2020, and recovered 164,000 jobs by the end of calendar year 2020. COVID vaccines were widely distributed in 2021, leading to many resuming or beginning to resume pre-Pandemic buying and entertaining habits, including visits to Galveston. The federal government also implemented significant fiscal stimulus programs to assist businesses and individuals in recovering from the Pandemic. This led to continued recovery, so that the Galveston metro area, by the end of calendar year 2021, had regained 315,100 of the 341,700 jobs lost in April 2020.



Statewide employment followed the same pattern as the region in 2021. The state suffered the loss of 1.4 million jobs in April 2020 but recovered 848,000 of those jobs by the end of calendar year 2020. By October, 2021, the state of Texas had recovered all of its job losses to the pandemic.

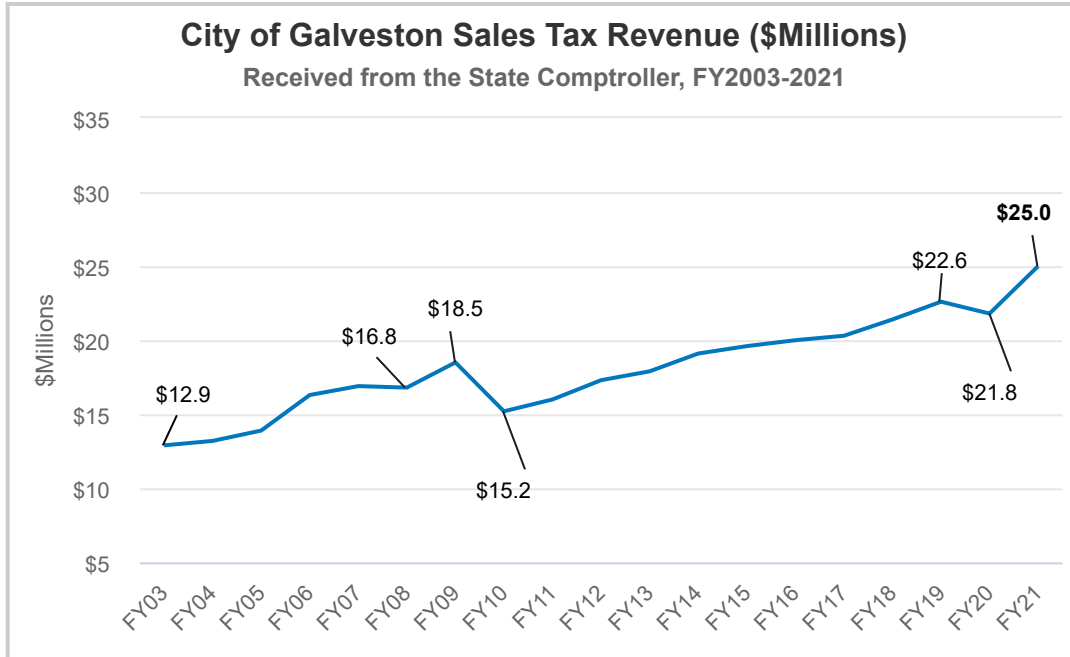


Galveston is the top recreation center for the region as evidenced by its sales tax revenue performance since FY 2003. The City's two percent sales tax rate is composed of a 1.5 percent amount that goes to the City's General Fund to support public safety and transportation functions. The remaining one-half percent goes to economic development, including equal one-eighth percent portions for beach renourishment, city parks and recreation, infrastructure and targeted economic development programs and projects.

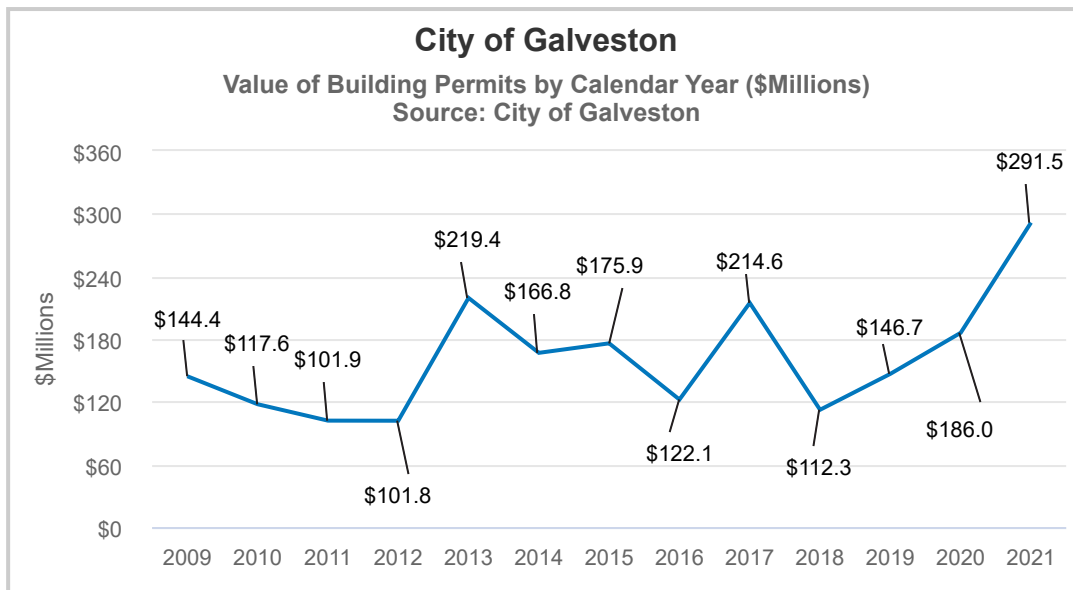
The City performs sales tax forecasts with a robust statistical model that provides a reliable explanation of prior sales tax growth using national, regional and local economic factors. Because of the model, regional employment has been identified as the most significant factor or leading indicator of sales tax revenues. This economic statistic, available monthly from the U.S. Bureau of Labor Statistics, explains ninety percent of the variations in the City of Galveston's quarterly sales tax revenue from 1992 to the present. When employment dropped so dramatically in April 2020, sales tax revenue dropped with it.

In March 2021, actual sales tax revenue collected by Galveston businesses began to jump, exceeding even the amounts collected in the same months two years earlier in 2019. This growth has continued since that time at a level not explained by the statistical model. For this reason, the model is now being used to identify the excess collections which can be largely attributed to federal stimulus programs. For this reason, the City has begun to treat these unusually high sales tax revenues as one-time revenues that will disappear sooner or later.

In FY 2021, the City collected \$25.0 million in sales tax revenue, 14.6 percent more than in FY 2020. The City's General Fund receives 1.5 percent out of the 2 percent sales tax collected, recording \$18.7 million in revenue in FY 2021. Utilizing the model, we estimate that \$2.4 million of this total was produced due to factors, including the stimulus programs, that will not last permanently. For this reason, the excess and any subsequent amount this year are being budgeted for one-time purposes and not recurring expenses.



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 278.8 in December 2021. The CPI-U for the metropolitan area including Galveston was 245.5 for the same period. By this measure, Galveston’s cost of living is approximately 11.9 percent less than the nation as a whole.



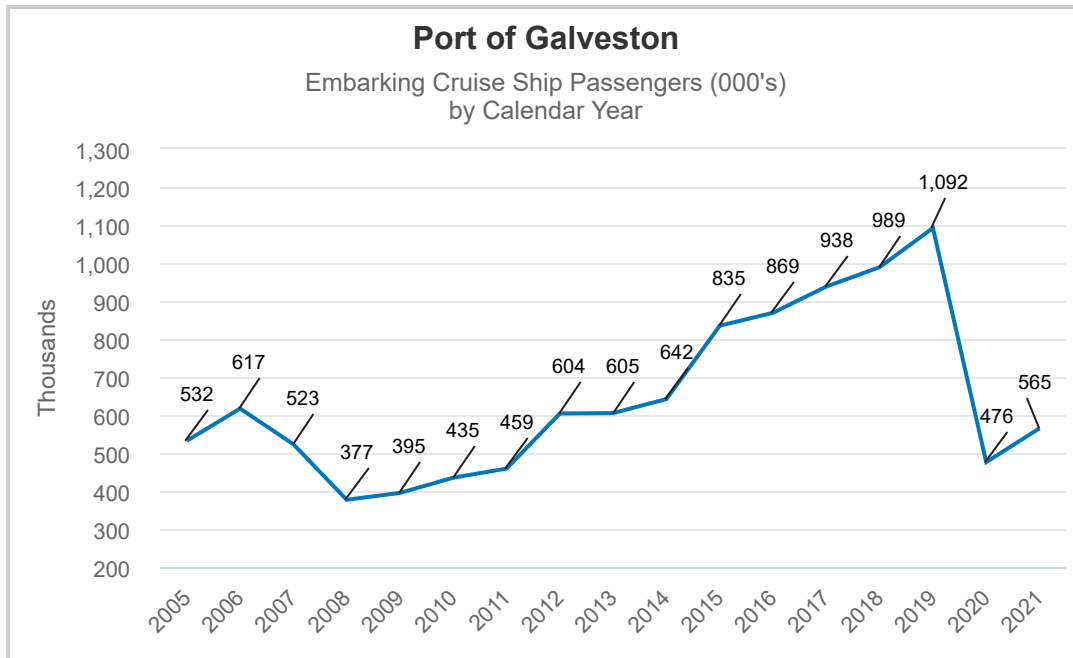
Construction activity in Galveston is continuing at not just a steady pace but an accelerated pace. After the value of building permits in the immediate aftermath of Hurricane Ike peaked in 2008 at \$284.8 million (not shown in the graph). For the eight year period of 2013 through 2020, the annual average value of commercial and residential building permits has been \$168 million per year. Permits issued in calendar year 2021 reached a total of \$291.5 million which reflects the attraction of Galveston Island, low interest rates and the economic stimulus already mentioned. Every year, the taxable value of new construction placed on the City's property tax roll by the Galveston County Appraisal District tracks closely with the City's new construction totals discounted by properties that are not taxable. While much of the 2021 permits total is attributable to tax exempt properties, the unusually high total can be expected to produce a banner year for new construction being added to the City's property tax rolls for Tax Year 2022 and Fiscal Year 2023.

The Port of Galveston has long been an important contributor to both the Galveston and Texas economies. Its cruise and non-cruise shipping activity complement each other, which provided some degree of stabilization during the most recent pandemic-affected period.

During this pandemic, the cruise industry was challenged by the worst public health crisis in recent history. Galveston's port experienced a record-setting total for cruise passengers in 2019 of 1,091,622. With the shutdown of cruise activity after two and one-half months of the year in mid-March 2020, 225,643 cruise passengers came through the Port's gates for the calendar year. Cruise activity resumed during mid- 2021, and the passenger count rose to 565,090. According to a report published by Cruise Lines International Association (CLIA), "2021 State of the Cruise Industry Outlook, the global impact of Covid 19 cruise suspension included \$77 billion in economic activity, 518,000 jobs, and \$23 billion in wages. Every 30 cruisers equals 1 job." There is every expectation that 2022's total cruise passengers for the full year will be much closer to the 2019 record.

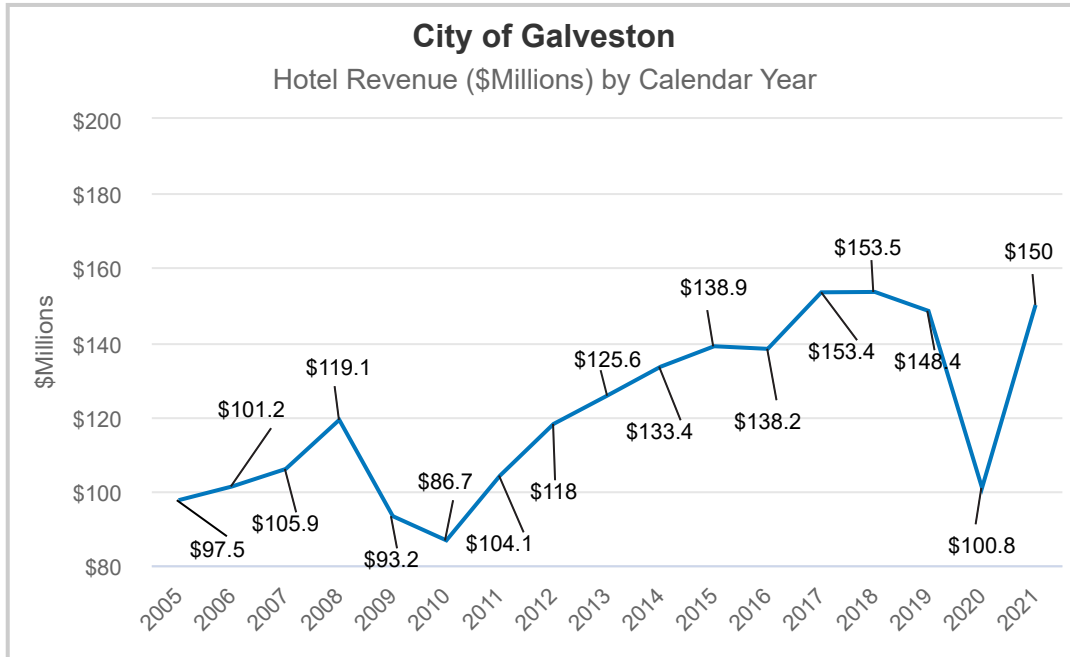
In spite of the pandemic, the Port's non-cruise business continued. One of the top 50 ports in the nation and one of the busiest in Texas, the Port rose to 46th among the busiest U.S. ports and waterways according to a report by the U.S. Army Corps of Engineers, "The U.S. Coastal and Inland Navigation System 2020 Transportation Facts & Information". Notably, the Port set a new wind turbine cargo record in May of 2021, importing 529 wind cargo pieces totaling 33,444 tons. This represented a 39% increase over the previous record of 417 pieces, equaling 24,063 tons.

Continuing its commitment to cargo, the Port invested \$2 million in cargo infrastructure by completing an infrastructure improvement project at its West Port Cargo Complex to accommodate large roll-on/roll-off (RoRo) construction and farming equipment. The Port moved 4.8 million tons of cargo in 2021, which is up 14% overall from 2020 with Bulk Fertilizer and Liquid Bulk leading the way with increases of 43%, followed by RoRo at 24%, Wind and General Cargoes at 14%, and Bulk Grain and Bananas and Other Fruit lagging with decreases of 15% and 2%, respectively. A record-setting 472 lay vessels called at the Port of Galveston in 2021 compared with 461 in 2020, or an increase of 2%. Lay dockage revenues increased to \$6.3 million in 2021 from \$5.2 million in 2020, or an increase of 21%, following a 52% increase from \$3.4 million in 2019.



The City of Galveston is a popular destination for tourists, because of its beaches and other attractions, including Moody Gardens, Schlitterbahn, and the Pleasure Pier. The City’s downtown area features The Strand District, which is the home of some of Galveston’s most historic commercial buildings, and the centerpiece for the City’s active year-round calendar of community and seasonal events. Nearby is the East End Historic District which is on the National Historic Register and the site of many of the City’s historic residential structures. A primary indicator of Galveston’s tourism industry is total hotel occupancy tax revenue. Total hotel revenue was negatively impacted in calendar 2020 by the COVID pandemic, with closures and limited occupancy. However, in calendar year 2021, tourism recovered significantly and Galveston Island hotels were one of the beneficiaries of this recovery.

Faced with continuing growth in the island’s short term rental properties (STR’s), the City approved an ordinance in June 2021 that is expected to produce significant additional local tax revenue in FY 2022. The ordinance requires that STR property owners register with the Galveston Park Board, and display their registration number on any advertisement of the property’s availability for rental. Since the ordinance passed, the number of STR units registered has gone from 2,500 to 3,600. The ordinance also requires that any internet platform collecting state hotel occupancy taxes on behalf of STR property owners will collect city hotel occupancy taxes too. Using the state’s experience in Galveston, this is expected to produce as much as \$3 million more in local hotel tax revenue per year from the 9 percent local tax.

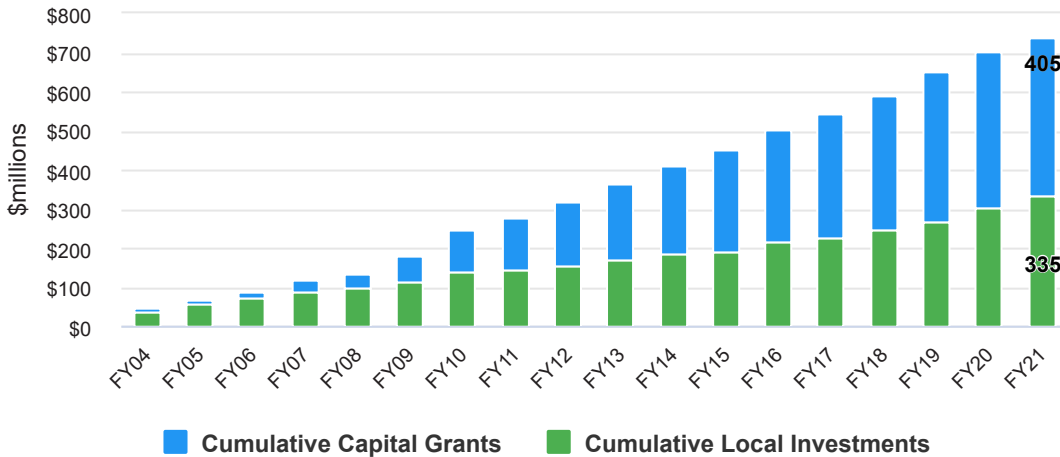


FY 2004 was the first year in which the City was required by Governmental Accounting Standards Board Statement 34 (GASB 34) to include the value of its capital assets net of depreciation in its balance sheet. Since 2004, GASB 34 has served as an annual reminder to communities of the importance of investments in infrastructure. And the true benefit of the reporting requirement is best viewed from a long-term perspective.

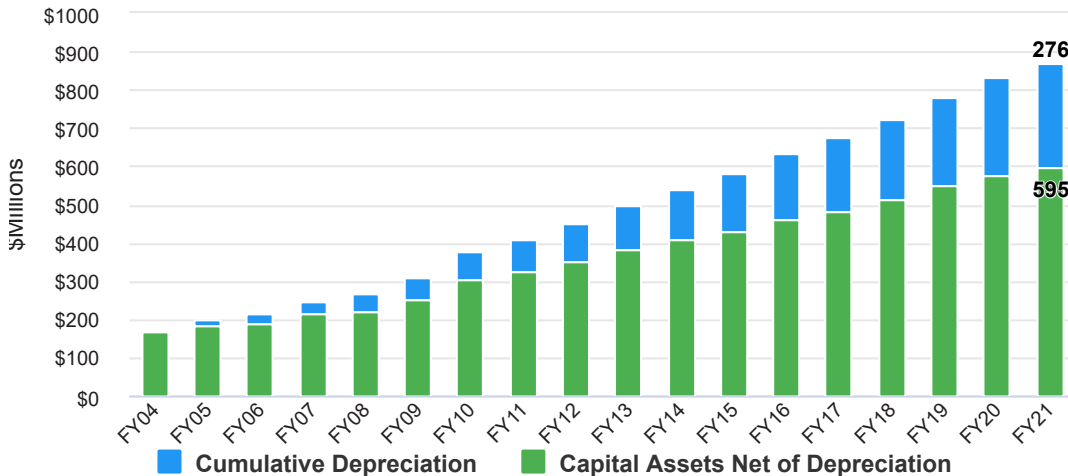
Since FY 2003, the City’s net capital asset position has increased from \$129 million to \$595 million, a \$466 million increase. From FY 2004 through FY 2021, the City has invested a total of \$740 million in improvements to its capital infrastructure, including streets, drainage, parks, fire, police, water, wastewater and airport systems. This included \$335 million in local system resources (cash, bond proceeds) and \$405 million in contributions (largely federal grants received by the City). Also, since FY03, the value of capital assets has been reduced by \$276 million in accumulated depreciation (capital value), offsetting all but approximately \$60 million the total local funds invested.

This put in perspective two critical lessons. First, rebuilding and maintaining the value of the City’s capital assets requires significant continual investment of grants and local funds. Second, the annual investment required to maintain the overall condition of the City’s infrastructure has grown from \$7 million in FY 2004 to \$22.4 million in FY 2021. Without continual investments, the value and quality of the City’s capital investments will fade.

**Local Investment (\$335M) and Capital Grants (\$405M)
\$740M Cumulative Investments Since FY03**

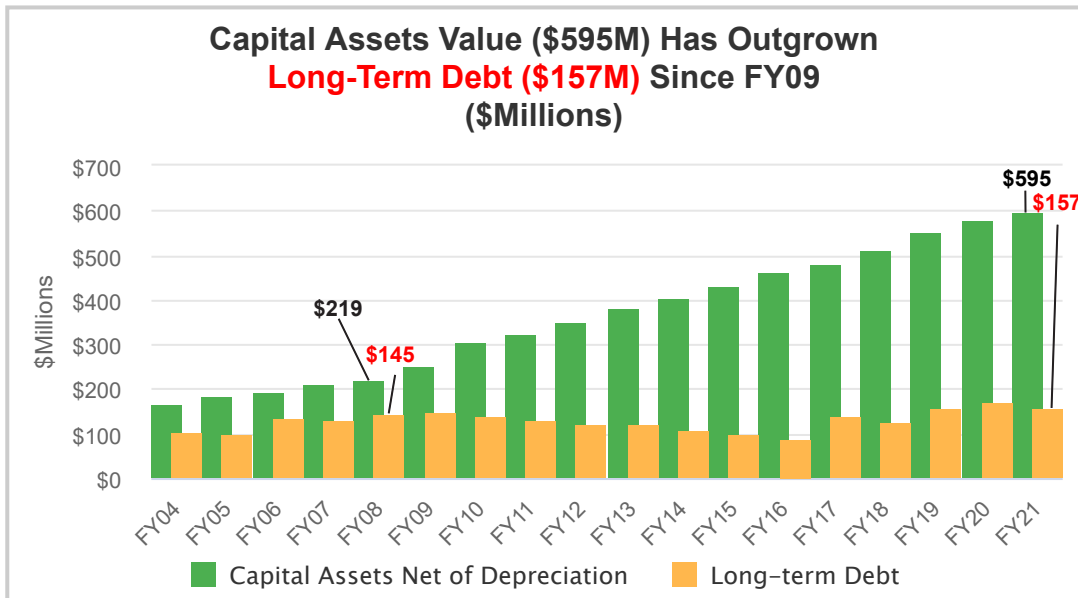


**Capital Assets Net of Depreciation: \$595M in FY21,
\$466M more than in FY03**



The City issued no new long-term bonds for local investment in capital assets between FY 2008 and FY 2017. In FY 2016, the City adopted a five year capital improvement plan (CIP) including only projects that were to be fully financed with a combination of cash on hand and/or future bond sale proceeds. Programs to make substantial improvements to the City’s streets, drainage, water and wastewater systems have been the primary focus of the CIP. In May 2017, Galveston voters authorized the issuance of \$62 million in street and drainage general obligation bonds. By the end of FY 2020, the City had issued all of these bonds, and an additional \$70 million in certificates of obligation for water and sewer projects that are being retired with utility system revenue.

As of FY 2021, the City’s capital assets are valued at \$595 million and the City’s outstanding principal payments for long-term debt total \$157 million. This includes City bonds issued strictly for basic infrastructure improvements (water, wastewater, streets and drainage) as well as contract revenue debt payable to the Gulf Coast Water Authority. It does not include special obligation debt (Convention Center bonds payable with hotel occupancy tax revenue) or other liabilities addressed in Note 9 of this financial statement. The \$157 million outstanding as of the end of FY 2021 is \$12 million more than existed at the end of FY 2008 when Hurricane Ike made landfall. The City is adhering to its long standing, conservative approach to identify specific projects that are in need of additional funding while making annual principal payments that reduce its overall debt.



Long-term financial planning

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

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

An essential element of long-term financial planning is ongoing monitoring and evaluation to identify new or different trends that can affect planning assumptions. Quarterly Budget Status Reports provide year-end projections of revenue and expenses for all budgeted funds as well as capital project status reports and detailed reconciliations for all capital funds. As soon as initial numbers are available for year-end, the fourth quarter report provides an early look at what the Annual Report might portend. This affords the Mayor and City Council the timely opportunity to guide and direct significant year end entries that require

budget approval. 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

Article VII Section 20 of the City Charter incorporated the concept of a ninety-day minimum reserve for the General Fund in 2012. The excess sales tax receipts and one-time federal aid received to reimburse the City for its pandemic-related operating costs incurred in FY 2020-2021 made it possible to better this minimum requirement significantly. The General Fund ended the year with an operating balance of \$21.95 million, representing approximately 137 days of maintenance and operating expenditures. In 2018, the City secured the renewal of its emergency bridge loan for \$50 million to be used in the event of a major catastrophic emergency, and secured a contract for this important financial tool through spring 2023. The loan will be available to support eligible costs associated with any large emergency such as a tropical storm or hurricane, including federally reimbursable costs, local costs as well as matching funds for disaster grants (see Note 9).

The City Charter assigns the responsibility to “administer all the financial affairs of the City other than the assessment and collection of taxes to the Director of Finance. This includes responsibility for the receipt, disbursement and safe-keeping of all City funds. The Finance Director establishes the accounting procedures to be used in all departments, and approves 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 Annual Comprehensive Financial Report, “including the auditor’s opinion on the statement, shall be filed in the office of the municipal secretary or clerk within 180 days after the last day of the municipality’s fiscal year.” (See Local Government Code Section 103.003.)

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

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

A ladder investment approach has been used previously to invest the City’s cash on hand in investment pools, federal agencies and treasuries. This approach took maximum advantage of rising interest rates by scheduling maturities based on specific project implementation schedules as well as the five year Capital Improvement Plan (CIP). With the advent of the COVID-19 pandemic, and actions by the Federal Reserve Board to set the prime rate at zero, the city placed all of its cash in investment pools. This provided maximum liquidity and safety which was appropriate for most of the interest rate environment of FY 2021. In 2022, rates have begun to rise in response to inflationary fears. So the City’s investments have been redirected back into the safest lawful investments, namely U.S Treasuries.

Major initiatives

The City continues to implement its CIP by renewing and replacing capital facilities, many of which have outlived their useful lives. Any future bond sales will be conducted in accordance with State law and the City Charter including voter approval for General Obligation bonds providing new monies for major projects. The City is well positioned to continue the CIP as well as its long-term bond issuances. Moody’s Investors Service issued the following overall assessment of the City in its annual rating published in October: “The credit position for Galveston is good. Its Aa3 rating is level with the US cities median of Aa3. Notable credit factors include a healthy financial position, a large tax base and a moderate wealth and income profile.

The rating also reflects a small debt burden and a somewhat inflated pension liability.” The City’s pension liability dropped \$9 million in FY 2020 largely due to the performance of the three funds investment pools.

Moody’s also noted the following in its October 2020 rating: “Texas cities are well positioned to operate soundly despite the coronavirus pandemic effects because cities typically retain healthy reserves and liquidity which will mitigate any near-term financial challenges. Additionally, cities maintain high flexibility to make expenditure cuts which will mitigate some of the challenges associated with falling sales tax revenues, which typically are about a third of the cities’ revenue stream. Property taxes, typically the largest revenue source, remain strong and stable supported by historically solid tax base growth. Any slowdown in the economy will likely not affect budgets until fiscal 2022. Texas cities in energy dependent regions will face additional challenges by the slump in energy prices. Debt and pension levels are manageable for most cities.”

By virtue of its location on the Texas Gulf Coast, Galveston is exposed to the ongoing threat of tropical storms that bring heavy floods, high winds and excessive storm tides. The magnitude of the impact on the City’s operations, economy, or financial condition from climatic changes is indeterminate and unpredictable. But this is a threat that Galveston has managed its way through for over one hundred years. After the 1900 Storm that killed many thousands of Galveston residents, the City built a three mile long, seventeen feet high concrete wall to protect against storm tides associated with a tropical storm. The residents and businesses also elevated their properties to match the height of the Seawall and then taper slowly to sea level on the port side of the Island. Today, the seawall has been extended to protect ten miles of the City from high water events.

Prior to Hurricane Ike in 2008, the City established a \$20 million emergency finance note program to assist the City with any costs and/or projects that are derived from any natural disaster. That “bridge loan” today stands at \$50 million that can be employed in the event of a disaster declaration by the President of the United States. City management and staff are experienced as an organization in managing disasters and documenting eligible costs for reimbursement from FEMA.

Plans are moving ahead using FEMA Section 404 Hazard Mitigation Grant funds to design and construct a \$46 million high water management pump station in 2022. This flooding and high tides management improvement will be located on 14th Street at the Galveston ship channel. In 2021, the City received a \$54 million Harvey grant to design and construct a second high water pump station on the other end of the Port near South Shore Drive. Design approval by the state and federal partners in this project should result in a grant for construction as well. This pump station will take the project service area from a 0.5 year flood level to a 25 year event and maintain a 100 year event in the right of way. Galveston also falls within the bounds of the area to be protected by the “Ike Dike,” a proposed U.S. Army Corp of Engineers project to ultimately provide flood protection for the low lying areas near the Gulf and Galveston Bay in the metropolitan area.

In FY 2019, the City began a major water loss mitigation project aimed at reducing the amount of water loss in its aging water distribution system. After the major investments in the water system made recently, the City has shifted its focus to more accurate measurement of water usage and transmission throughout the City. As a step toward implementing these goals, the City has chosen to use \$16 million of its \$27 million American Rescue Plan Act to fund citywide implementation to install an Automated Metering Infrastructure project and system. Besides the improvements in customer service this system will bring, the goal is to ensure that the City purchases only the water it needs from the Gulf Coast Water Authority, isolating sources of water loss so they may be addressed in a variety of ways.

Protection of neighborhoods through stricter codes and clearer rules is also a high priority with major revisions underway to the City’s land development rules and zoning requirements. Renewed emphasis is being placed on the City’s information technology resources, upgrading system infrastructure and beginning the implementation of major systems to manage field maintenance operations, improve plan review and the permit and inspections processes, as well as continuing to move the City to a paperless environment.

In FY 2019, the City and its police employees group secured passage of state legislation that revised and modernized the police officers’ pension system, putting in place a thirty year funding plan that fully amortizes the plan’s current unfunded accrued actuarial liability. This law provides for any future additional funding needs to be shared equally by the City and the plan members. The City’s contribution is guaranteed to remain at the current authorized strength level for police officers should future economic downturns result in any reductions in force (see Note 15). In FY 2018, the City and firefighters agreed on a plan that increased contributions from the City and the firefighters that brought its long-term funding plan within State guidelines. The increases required in the City’s contribution to the police pension plan (12 percent to 18 percent) and firefighters’ pension plan (12 percent to 17 percent) are funded through the City’s operating budget with current year income. The City is continuing in FY 2021 to work with each board to further stabilize

these plans and the non-civil service City employees plan as well. As the City works to stabilize the three defined benefit pension plans, we persist in our long-term plan to convert those plans over time to a defined contribution basis or a hybrid plan such as that offered by the Texas Municipal Retirement System.

The City's retiree health insurance plan is reported in the government wide balance sheet. This presentation provides information in compliance with the Governmental Accounting Standards Board Statement 75 addressing Other Post-Employment Benefits (OPEB). The City's unfunded accrued liability for OPEB is estimated for FY 2021 at \$14.7 million. Having addressed the City's pension fund liabilities, we now expect to begin to develop a plan that will address the unfunded OPEB liability.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awards a Certificate of Achievement for Excellence in Financial Reporting for recognizing conformance with the highest standards for preparation of state and local government reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. The Annual Comprehensive Financial Report 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 this Annual Report will meet the Certificate of Achievement Program requirements and will submit it to GFOA to determine its eligibility for a certificate.

The preparation of this report is a joint effort of various departments and offices of the City. The City's Finance Department coordinates the compilation and prepares the final report for review by the City's independent auditor, Whitley Penn, LLP. The City assumed the lead role in preparing the financial statements and related notes for the first time in FY 2017. This financial report represents the fifth such effort. The successful and timely preparation of this report depends on the cooperation of all these groups and upon the diligence and dedication of the entire staff of the Finance Department. We would like to express our appreciation to all those who contributed to this effort.

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

Respectfully submitted,



City Manager



Assistant City Manager for Finance

**CITY OF GALVESTON, TEXAS
PRINCIPAL OFFICIALS**



Mayor
Craig Brown

District 1



Sharon Lewis

District 2



William Schuster

District 3



David Collins

District 4



Bill Quiroga

District 5



John Paul Listowski

District 6



Marie Robb

Charter Adopted April 19, 1960
Council – Manager Form of Government

City Council Appointees

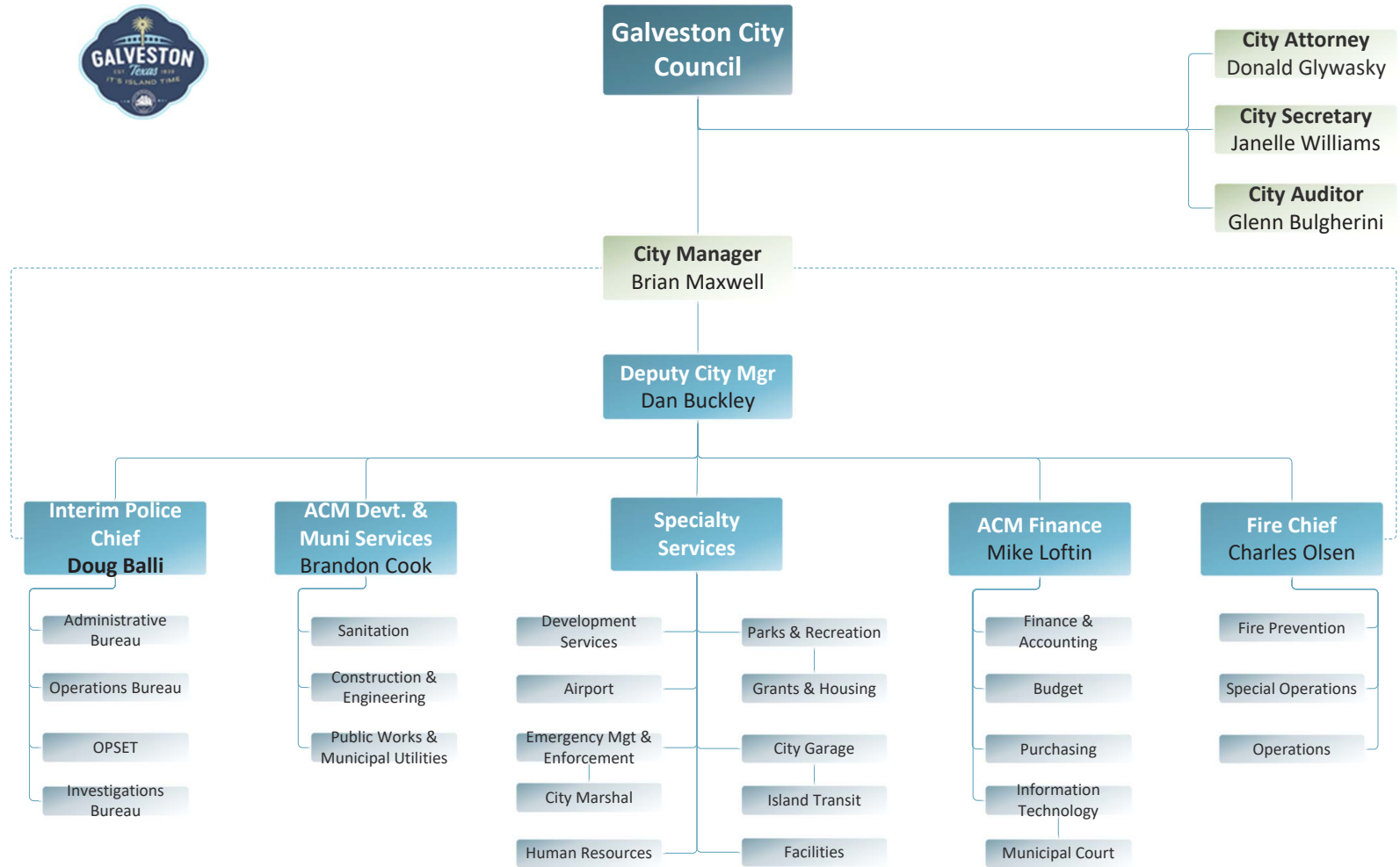
City Manager	Brian Maxwell
City Secretary	Janelle Williams
City Attorney	Donald Glywasky
Court Judge	Jim Schweitzer
City Auditor	Glenn Bulgherini

Departmental Directors

(City Manager Appointees)

Deputy City Manager	Dan Buckley
Assistant City Manager Finance	Michael Loftin
Assistant City Manager Development and Municipal Services	Brandon Cook
Police Chief, Interim	Doug Balli
Fire Chief	Charles Olsen, Sr.
City Marshal	Cecil Stroud, Jr.
Executive Director of Development Services	Timothy Tietjens
Executive Director of Fleet, Mass Transit and Special Events	David Smith
Executive Director of Human Resources and Civil Service	Kent Etienne
Executive Director of Parks, Recreation and Community Outreach	Barbara Sanderson
Executive Director and Chief Information Technology Officer	Hope Dean
Executive Director and City Controller	Tammy Jacobs
Executive Director Emergency Management and Enforcement	Robert Simmons
Director of Airport	Michael Shahan
Director of Infrastructure and Engineering	Robert Winiecke
Director of Public Works and Utilities	Trino Pedraza
Director of Solid Waste	Dustin Bender
Public Information Officer	Marissa Barnett
Battalion Chief-Emergency Management Coordinator	Mark Morgan, Sr.
Municipal Court Clerk	Gladys Lopez
Facilities Director	Charles Kenworthy
Director of Disaster Recovery and Grants	Tesa Duffey-Wroblewski
Director of Policy and Government Relations	Sally Bakko

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
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**City of Galveston
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section



2021 Annual Comprehensive Financial Report



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INDEPENDENT AUDITOR'S REPORT

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, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Board of Trustees of the City of Galveston (the "Park Board") or the Board of Trustees of the Galveston Wharves (the "Wharves"), which collectively represent 99 percent, 66 percent, and 99 percent, respectively, of the assets and deferred outflows of resources, liabilities and deferred inflows and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Board and the Wharves, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Wharves were audited in accordance with *Government Auditing Standards* and the financial statements of the Park Board 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.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis the general fund budgetary information schedule and the required pension system and other post-employment benefits supplementary information schedules 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's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, 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.

Whitley Penn LLP

Houston, Texas
March 24, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Galveston (the "City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

1. 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 \$485.7 million (net position). Of this amount, \$35.5 million is restricted for specific purposes based on law and contractual obligations to citizens and creditors.
2. Capital assets net of depreciation provide \$594.9 million of the \$814.2 million in total citywide assets.
3. Long-term liabilities decreased from \$207.5 million to \$192.4 million largely due to the revenue bond refunding described below. Also, the aggregate net pension liability declined from \$75.1 million in FY 2020 to \$71.9 million in FY 2021 largely due to the market driven performance of each pension fund's investment pool. The City's unrestricted net position improved from a negative \$34.8 million in FY 2020 to a negative \$18.2 million in FY 2021. (see Note 9 for additional information).
4. The City paid down its debt in FY 2021 with \$10.9 million in principal payments. The City also refunded its revenue bonds balance by \$3.2 million, reducing its total outstanding bonded indebtedness by \$15.2 million. Citywide long-term liabilities went down by \$15.1 million in total.
5. In FY 2021, the City received \$2.7 million in federal CARES Act grant reimbursement for its costs associated with the COVID-19 pandemic. Since these expenditures were already budgeted in FY 2020 and 2021, reimbursement of these costs allowed for a one-time addition to all operating funds, most notably the General Fund.
6. The net position of governmental activities improved slightly from \$178.6 million in FY 2020 to \$183.8 million in FY 2021. Current assets increased by \$16.8 million from \$126.8 million in FY 2020 to \$143.8 million in FY 2021. This was offset by the increase in total liabilities largely due to the \$16 million increase in other liabilities.

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 consist 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, public safety, public works, culture and recreation, planning and community development, and interest on long-term debt. The business-type activities of the City include utility systems, 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 | Galveston Housing Finance Corporation |
| Beachside Village - Public Improvement District | Galveston Property Finance Authority |

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

The government-wide financial statements can be found on pages 39 through 41 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 82 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, General Obligation Bonds 2019 Capital Projects funds, and American Rescue Plan Act, all of which are considered to be major governmental funds. Data from the other 75 governmental funds are combined into a single, aggregated presentation (the Non-Major Governmental Funds). Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 106 through 119 of this report.

The basic governmental fund financial statements can be found on pages 42 through 45 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 and Liability insurance, Construction Management, Workers Compensation Insurance, and Health and Life Insurance funds are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Combined Utility System Fund and Airport Fund 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 annual comprehensive financial report.

The basic proprietary fund financial statements can be found on pages 46 through 48 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains two different types of fiduciary funds, Pension trust funds and a Custodial fund. The Pension trust funds are used to report resources held in trust for retirees and beneficiaries covered by the Employee Pension Plan, Firefighter's Pension Plan, and the Police Pension Plan. The Custodial fund reports resources, not in a trust, that are held by the City for other parties outside of the City's reporting entity. The fiduciary fund financial statements can be found on pages 50 through 51 of this report.

Combining Component Unit Financial Statements

Six of the City's eight discretely presented component units shown in the 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 53.

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 93 through 104 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 \$485.7 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, 2021 of \$485.7 million is an \$4.0 million increase over the prior year.

Total Assets were \$814.2 million at the end of the current fiscal year, a \$23.8 million increase over last fiscal year. This is attributable largely to the continued investment in the City's capital assets, including substantial amounts of contributions from grants as in prior years and the implementation of GASB 87 - Leases. Total investments in capital assets increased by \$16.9 million.

Current assets for Governmental Activities increased by \$17.0 million, largely due to the receipt of \$13.5 million in cash from the American Rescue Plan Act funds. The current assets for Business-Type Activities also decreased by \$28.1 million, largely due to ongoing capital expenditures from previous bond sales for capital assets.

A decrease in net outstanding debt associated with the bond principal payments can be seen in a \$4.2 million decrease in long-term liabilities of Governmental Activities. Similar decreases can be seen in long-term liabilities of Business-Type Activities with a decrease of \$10.9 million reflecting the retirement of City issued bonds.

By far the largest portion of the City's net position, 96.5 percent or \$468.4 million, reflects its investment in capital assets net of depreciation (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, 2021. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The total Net Pension Liability for the City's three pension funds decreased to \$71.9 million in the current fiscal year compared with \$75.1 million for the prior fiscal year. This was largely due to improved investment performance in the current fiscal year, assisted also by increased contribution rates for the firefighter and police plans (see Note 15).

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2021 and 2020

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 143,754	\$ 126,772	\$ 57,535	\$ 85,611	\$ 201,289	\$ 212,383
Capital assets	241,171	239,423	353,718	338,602	594,889	578,025
Right to use assets	447	-	-	-	447	-
Non-current lease receivable	-	-	17,538	-	17,538	-
Total Assets	<u>385,372</u>	<u>366,195</u>	<u>428,791</u>	<u>424,213</u>	<u>814,163</u>	<u>790,408</u>
Total Deferred Outflows of Resources	<u>17,128</u>	<u>16,308</u>	<u>2,038</u>	<u>2,541</u>	<u>19,166</u>	<u>18,849</u>
Other liabilities	30,909	14,928	8,810	9,833	39,719	24,761
Long-term liabilities	96,795	101,019	95,568	106,478	192,363	207,497
Total OPEB liability	14,666	11,380	-	-	14,666	11,380
Net pension liability	66,798	69,224	5,150	5,859	71,948	75,083
Total Liabilities	<u>209,168</u>	<u>196,551</u>	<u>109,528</u>	<u>122,170</u>	<u>318,696</u>	<u>318,721</u>
Total Deferred Inflows of Resources	<u>9,483</u>	<u>7,381</u>	<u>19,484</u>	<u>1,482</u>	<u>28,967</u>	<u>8,863</u>
Net Position (Deficit)						
Net investment in capital assets	191,088	198,501	277,342	282,578	468,430	481,079
Restricted	35,470	32,664	-	2,749	35,470	35,413
Unrestricted (Deficit)	(42,709)	(52,594)	24,475	17,775	(18,234)	(34,819)
Total Net Position (Deficit)	<u>\$ 183,849</u>	<u>\$ 178,571</u>	<u>\$ 301,817</u>	<u>\$ 303,102</u>	<u>\$ 485,666</u>	<u>\$ 481,673</u>

An additional portion of the City's net position, 7.3 percent or \$35.5 million, represents resources that are restricted by external authorities and requirements on how they may be used. The total negative unrestricted net position of \$18.2 million results from \$42.7 million negative net position of Governmental Activities, that is partially offset by \$24.5 million unrestricted net position of Business-Type Activities. The Governmental Activities negative net position includes almost all of the City's net pension liability because two of the three pension funds (police and fire) include public safety personnel funded strictly through the General Fund. The governmental funds provide \$66.8 million of the total \$71.9 million in net pension liabilities and \$14.7 million of OPEB liabilities.

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

For the Years Ended September 30, 2021 and 2020

Amounts in (000's)

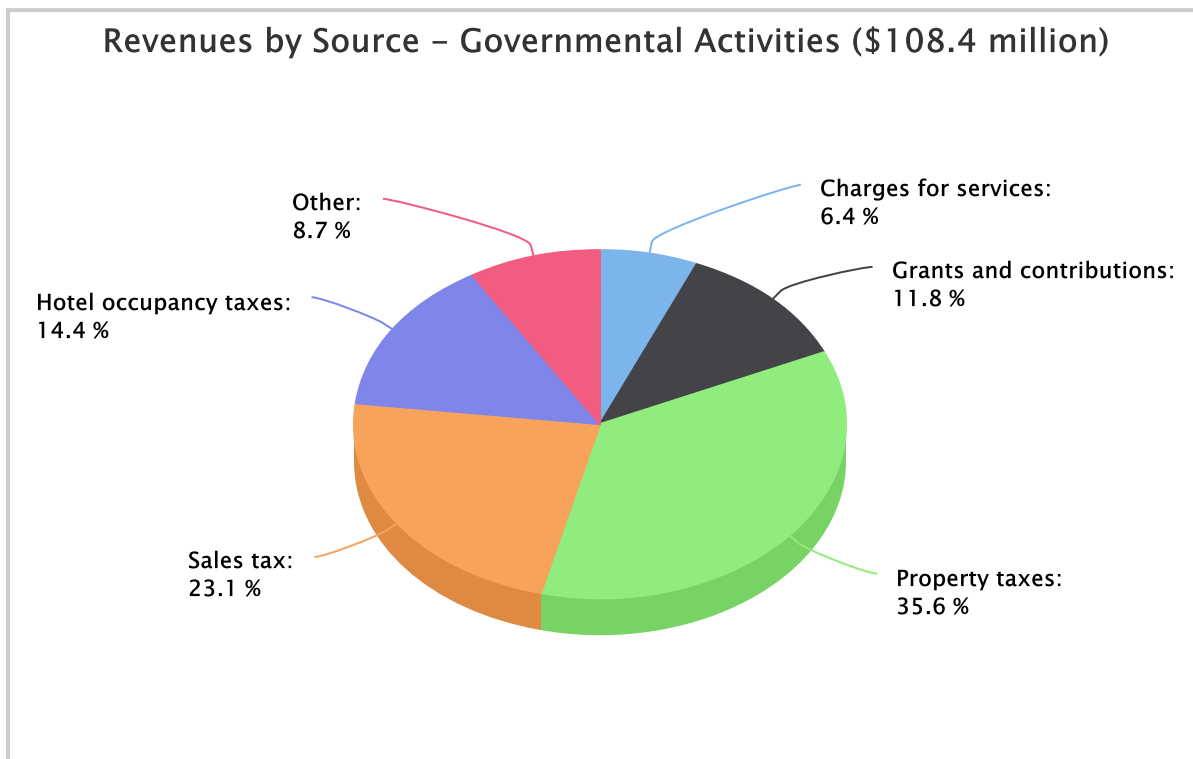
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 6,974	\$ 5,614	\$ 46,564	\$ 48,489	\$ 53,538	\$ 54,103
Operating grants and contributions	4,914	5,249	50	50	4,964	5,299
Capital grants and contributions	7,863	12,132	-	606	7,863	12,738
General revenues:						
Property taxes	38,637	35,474	-	-	38,637	35,474
Sales tax	24,998	21,046	-	-	24,998	21,046
Mixed beverage tax	1,005	762	-	-	1,005	762
Hotel occupancy taxes	15,630	10,602	-	-	15,630	10,602
Franchise and other taxes	5,012	5,874	-	-	5,012	5,874
Payments in lieu of taxes	488	315	-	-	488	315
Lease revenue	-	-	942	-	942	-
Other	2,893	1,841	930	822	3,823	2,663
Total Revenues	108,414	98,909	48,486	49,967	156,900	148,876
Expenses						
General government	12,516	9,535	-	-	12,516	9,535
Public safety	40,159	40,476	-	-	40,159	40,476
Public works	12,042	10,481	-	-	12,042	10,481
Culture and recreation	23,608	17,350	-	-	23,608	17,350
Planning and community development	5,796	5,546	-	-	5,796	5,546
Transportation system	4,203	4,224	-	-	4,203	4,224
Interest on long-term debt	2,530	910	-	-	2,530	910
Combined utility system	-	-	39,697	38,072	39,697	38,072
Sanitation services	-	-	7,049	6,830	7,049	6,830
Drainage utility	-	-	3,134	3,364	3,134	3,364
Airport	-	-	2,173	1,958	2,173	1,958
Total Expenses	100,854	88,522	52,053	50,224	152,907	138,746
Increase (decrease) in net position before transfers	7,560	10,387	(3,567)	(257)	3,993	10,130
Transfers	(2,282)	(2,478)	2,282	2,478	-	-
Increase (decrease) in net position	5,278	7,909	(1,285)	2,221	3,993	10,130
Net position - beginning	178,571	172,319	303,102	300,894	481,673	481,673
Prior period adjustments	-	(1,657)	-	(13)	-	(1,670)
Net position - ending	\$ 183,849	\$ 178,571	\$ 301,817	\$ 303,102	\$ 485,666	\$ 490,133

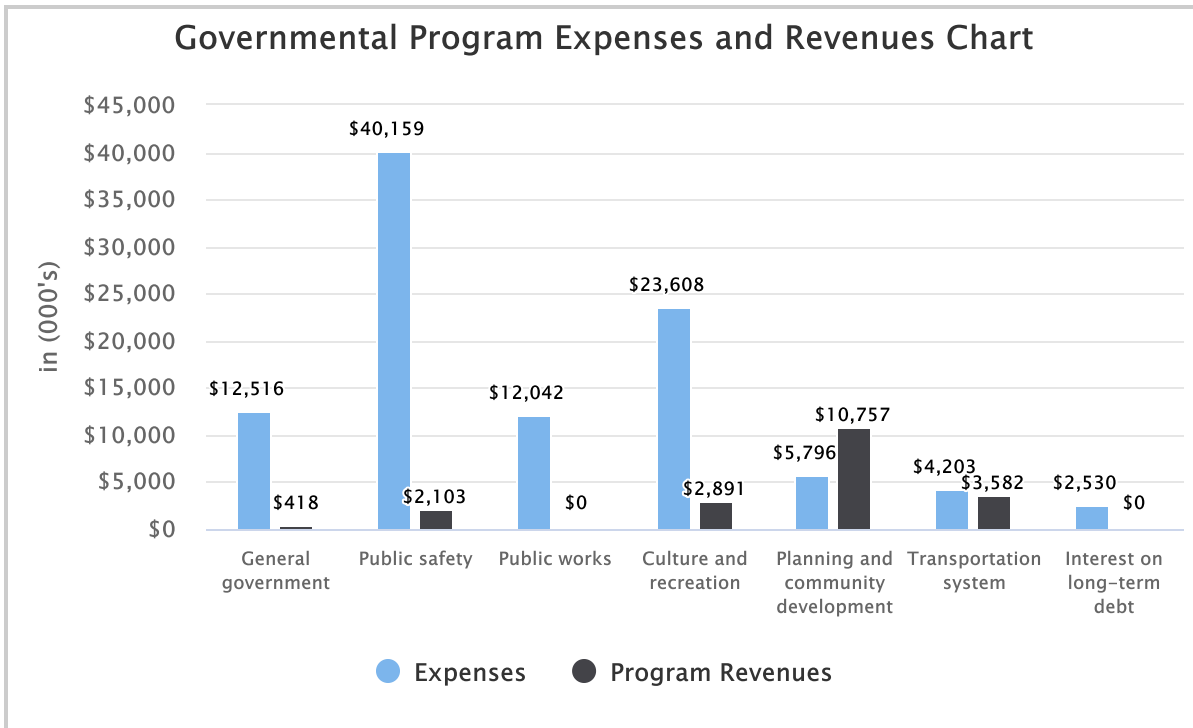
Governmental Activities

Governmental activities increased the City’s net position by \$5.3 million. Key elements of this net increase are as follows:

- Total revenue from governmental activities increased by a net \$9.5 million from FY 2020. This is largely due to increased revenues from sales collections (\$3.95 million more than the prior year) and increased hotel occupancy tax revenue (\$5.03 million more than the prior year).
- Franchise tax revenue decreased \$862,000 as new State laws took effect allowing certain telecommunications companies operating in Texas were allowed to pay only one form of tax based on their primary statewide business model.
- A decrease in capital grants and contributions of \$4.3 million from \$12.1 million to \$7.9 million and a decrease in operating grants and contributions of \$0.3 million.
- Of the capital grants and contributions noted above, \$2.3 million is presented as being transferred out of Governmental Activities and into Business-Type Activities where it was invested in capital assets held by the City’s enterprise funds, primarily the Combined Utility System fund.
- Virtually all of the \$7.9 million in capital grants and contributions shown in Governmental Activities revenue is being invested in the City’s infrastructure.

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

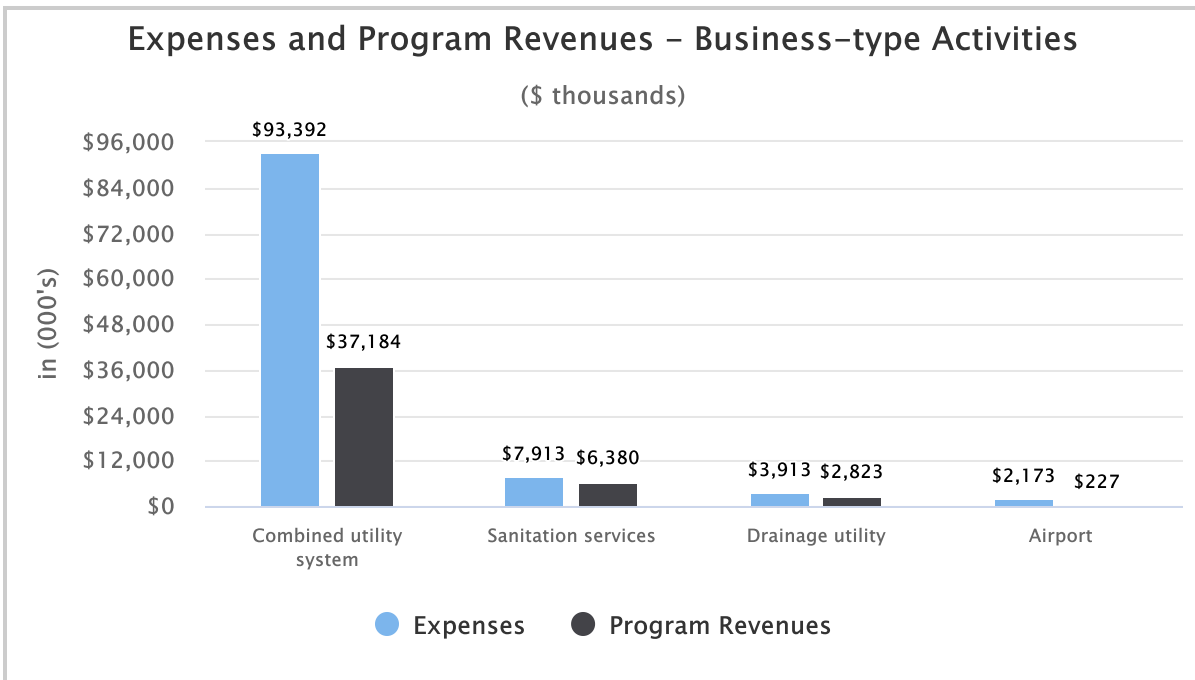
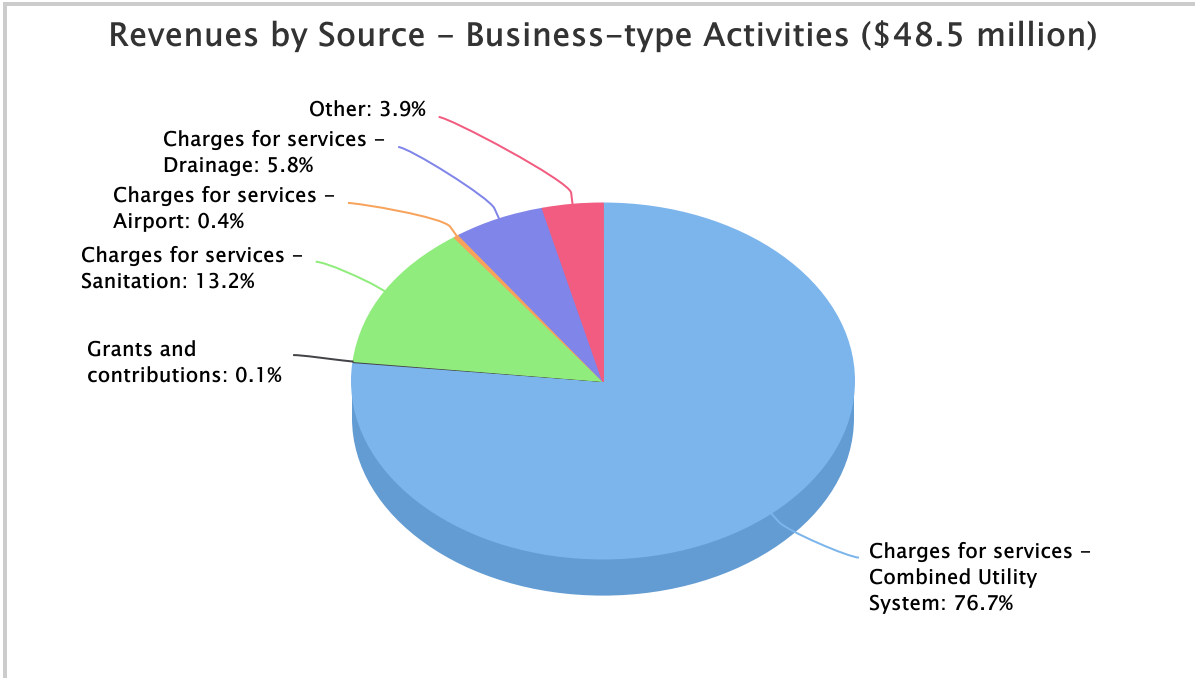




Business-type Activities

Business-type activities decreased the City’s net position by \$1.3 million. Highlights for individual enterprise funds are as follows.

- Revenues for business-type activities totaled \$48.5 million, \$3.6 million less than total expenses for business-type activities, which were \$52.1 million.
- Transfers from governmental activities to business-type activities were the result of grant funded contributions to business-type assets.
- Business-type activities generated \$1.5 million less in revenue due largely to the net effect of a \$0.6 million decrease in capital grants and contributions offset primarily by an increase of \$1.9 million in charges for services.



Financial Analysis of the City’s Funds

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

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

In FY 2021, the City received one-time unbudgeted revenues totalling \$2.4 million from sales tax collections and \$1.56 million from CARES Act reimbursements. This led directly to an ending fund balance in the General Fund of \$21.9 million, which was \$5.2 million more than in FY 2020. This met the General Fund balance reserve requirement of \$15.1 million, or ninety days of budgeted operating expenses. It also made

it possible to keep 120 days of expenses in reserve for use in unforeseen emergencies and for one-time expenditures as approved by the City Council. The City also maintains a \$50 million emergency bridge loan (see Note 9) 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 are being completed in calendar year 2022. The City is working diligently with the Texas Department of Emergency Management in this regard. CDBG Disaster grant funds have been largely expended for capital projects and are in final audit closeout and review in conjunction with the Texas General Land Office.

As of September 30, 2021, the City had spent all but \$32.3 million left from the \$62 million in general obligation bond funds authorized by the voters in May 2017. Of this amount, an additional \$14.15 million was under contract for use in completing street and drainage projects underway at that time. The remainder of the authorization, or \$18.2 million was committed to projects improving 37th Street from Broadway to the Seawall and a joint project with the County to improve 23rd Street and Avenue S. (see Note 9).

The American Rescue Plan Act Fund was funded by the U S Treasury Department and paid directly to the City. The City was awarded \$27.3 million and received \$13.7 million in June 2021. Funds will be used to secure advanced metering infrastructure, wastewater treatment facility and improvements to the sanitary sewer infiltration and inflow systems.

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 an annual set aside of General Fund revenue in accordance with a City Charter requirement. In FY 2021, General Fund contributions to this fund equaled eight percent of the General Fund budget. The Infrastructure and Debt Service Fund's separate reporting status is appropriate so as to demonstrate compliance with the City Charter. These funds are programmed through the CIP along with all other capital funds.

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

The Combined Utility System fund has an unrestricted net position at fiscal year end of \$22.9 million as compared to previous year is a result of paying down debt principal and refunding two previous revenue bonds. The cash that is restricted includes \$20.0 million to be used for capital projects.

The Airport Fund became a major fund this year as a result of implementing GASB 87 - Leases bringing on a \$17 million lease receivable. Only \$1 million of the fund balance is restricted cash for future capital improvements.

General Fund Budgetary Highlights

After a turbulent FY 2020, the economy began to recover in FY 2021. Due to advance planning and conservative budgeting, the City was able to take advantage of this by building its General Fund ending balance considerably. The ending balance of \$21.9 million provides for a 130 day reserve amount. This includes funds being reserved to pay for equipment ordered in FY 2021 that is being delivered in FY 2022 becoming an FY 2022 expense. The primary reason for this move to build fund balance was because of one-time revenues received in FY 2021.

General Fund revenues exceeded the FY 2021 Budget by \$5.38 million. This overall net result included strong projected returns from sales tax revenue (\$2.45 million over budget) that were due to the federal stimulus programs addressing the Pandemic related economic downturn. As stated earlier, the regional and national economies were still working as of September 2021 to recover all of the jobs lost to the pandemic in March of 2020. If current employment levels were the sole factor behind the sales tax revenue boom, the total for the fiscal year would have been close to the originally budgeted amount of \$16.3 million instead of the actual total of \$18.75 million. The second major source of revenue that caused the General Fund balance to be \$21.9 million is the reimbursement of pandemic related expenses through the CARES Act totaling \$1.26 million and expenses associated with Hurricane Laura totaling \$304,000.

The General Fund balance would have been \$24 million because of expenditure underruns estimated at \$2.1 million. This made funds available so that the final budget amendment for the fiscal year could include a \$1.17 million transfer to the Health and Life Insurance fund, \$332,000 to write off uncollectible General Fund receivables and reserve \$632,000 for a new police department operating and records management information system.

The General Fund expenditure budget was amended two times in fiscal year 2021 using quarterly reports that provided year end projections of revenue and expenditures. These amendments were approved by the 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 93 that demonstrates compliance with this requirement. Also, the City Charter mandated transfer from the General Fund to the Infrastructure and Debt Service Fund during FY 2021 equaled eight percent of the General Fund budget, or \$4.9 million as required.

Capital Assets and Debt Administration

At the end of fiscal year 2021, the City’s governmental activities and business-type activities held capital assets net of depreciation of \$241.6 million and \$353.7 million, respectively. This \$595.3 million total includes a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$2.2 million or 0.9 percent over the end of the last fiscal year for governmental activities and a net increase of \$15.1 million or 4.5 percent for business-type activities.

Amounts in (000's)	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 21,412	\$ 21,364	\$ 2,907	\$ 2,907	\$ 24,319	\$ 24,271
Construction in progress	32,885	44,924	70,567	60,223	103,452	105,147
Infrastructure	111,491	106,044	135,103	120,241	246,594	226,285
Buildings and Improvements	65,369	55,231	132,201	135,715	197,570	190,946
Contractual water rights	-	-	2,895	8,410	2,895	8,410
Vehicles, equipment and furniture	10,014	11,860	10,045	11,106	20,059	22,966
Right-to-use assets	447	-	-	-	447	-
Total Capital Assets	\$ 241,618	\$ 239,423	\$ 353,718	\$ 338,602	\$ 595,336	\$ 578,025

Additional information on capital assets can be found in Note 8 to the financial statements.

Construction in progress is at the \$103.5 million level, an decrease of \$1.6 from prior year, with project plans approved for appropriations in the adopted capital budget for FY 2021 of \$69.6 million. Four major projects were completed in FY 2021, including the Public Services facility (\$11.5 million), 45th Street/Broadway to Seawall reconstruction (\$10.8 million), Cedars Pump Station rehab (\$3.3 million), and 59th Street Ground Storage Tank (\$5.4 million). The most significant major projects still in progress are listed below:

- 24” Waterline - 59th St Pump Station to Airport Pump Station (\$16 million)
- Airport wastewater treatment plant refurbishment (\$7.9 million)
- Various street milling and overlay projects citywide (\$8.9 million)
- 59th Street Tank Rehabilitation (\$8 million)
- Airport pump station tank upgrade & new ground storage tanks (\$8.9 million)
- Storm drain rehabilitation citywide (\$5.8 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 \$177.2 million. This total included \$14.4 million in discounts and premiums that were a part of bond sales that are being amortized as a part of the City's long-term debt.

Amounts in (000's)	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 54,221	\$ 56,867	\$ 23,254	\$ 10,483	\$ 77,475	\$ 67,350
Special obligation bonds	19,470	20,580	-	-	19,470	20,580
Contracts payable	-	-	2,665	5,698	2,665	5,698
Revenue bonds	-	-	-	16,760	-	16,760
Certificates of obligation	-	-	62,560	63,825	62,560	63,825
Lease payable	453	-	-	-	453	-
Notes payable	135	263	-	-	135	263
Discount and premiums	8,893	9,506	5,498	8,013	14,391	17,519
	<u>\$ 83,172</u>	<u>\$ 87,216</u>	<u>\$ 93,977</u>	<u>\$ 104,779</u>	<u>\$ 177,149</u>	<u>\$ 191,995</u>

During FY 2021, the City decreased its long-term debt by approximately \$14.8 million. The City refunded its revenue bonds balance by \$3.2 million, reducing its total outstanding bond indebtedness by \$15.2 million. Debt service is being paid on the City's outstanding long-term debt as shown below. Annual principal and interest payments are budgeted based on the projects actually provided with the proceeds from the borrowings.

Amounts in (000's)	Property Tax	Combined	Central	Hotel	Total
	Supported	Utility System Revenue Supported	Services Revenue Supported	Occupancy Tax Revenue Supported	
Property-Tax Supported Debt					
General Obligation Bonds	\$ 54,221	\$ 23,254	\$ -	\$ -	\$ 77,475
Certificates of Obligation	-	62,560	-	-	62,560
Subtotal	54,221	85,814	-	-	140,035
Special Obligation Bonds	-	-	-	19,470	19,470
Revenue Bonds	-	-	-	-	-
Contracts Payable	-	2,665	-	-	2,665
Lease Payable	349	51	53	-	453
Notes Payable	-	-	135	-	135
Total Principal Payments	\$ 54,570	\$ 88,530	\$ 188	\$ 19,470	\$ 162,758

Additional information on long-term debt can be found in Note 9 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. As explained in the Transmittal Letter, Galveston's experience in FY 2020 and 2021 paralleled that of the region and the nation as a whole. In FY 2020, the national economy took a major step back and is still recovering from last year's job losses that resulted from the closures necessitated to help control the spread of the COVID-19 virus.

A slow but steady recovery began almost immediately but the number of jobs lost was significant, requiring a recovery of two to three years for employment and all economic activity to return to pre-pandemic levels. Toward the end of the first quarter of FY 2021, distribution of COVID-19 vaccines began. At the end of the second quarter, in March of 2021, tax revenues took off, aided by vaccination and the federal stimulus programs. In Galveston, this produced booming sales and hotel occupancy tax revenue levels that were unforeseen and unprecedented. Low interest rates maintained by the Federal Reserve Board as a stimulus generated demand for home building resulting in the permitting of 432 single family homes in calendar 2021, more than twice the normal number.

The FY 2021 Budget was developed before the full impact of the vaccines and stimulus programs took effect and was based on the uncertainty of the summer months in 2020. But the FY 2022 Budget assumed that the booms in tax revenues and home construction are temporary. The final results for the General Fund in FY 2021 include \$2.3 million in sales tax revenue that is attributable to the stimulus programs as well as

\$1.56 million in reimbursements for pandemic-related CARES Act reimbursements. FY 2021 General Fund spending was also under budget. As a result, the City's General Fund ended FY 2021 with a preliminary fund balance of \$23.9 million or \$9.3 million more than the ordinance and charter mandated minimum of ninety days of operating cost. The City Council subsequently approved a final amendment to the FY 2021 General Fund Budget that allocated this excess to one-time uses. \$1.17 million was moved to the Health Benefits fund's to strengthen its ending balance while leaving sufficient funding in the General Fund so as to bring the balance up to 120 days of operating costs.

The FY 2022 Adopted Budget includes \$155 million for maintenance and operations, a 4.12 percent increase from FY 2021. One-time appropriations are budgeted at \$4.2 million, and the capital budget, based on the first year of the FY 2022-2026 Capital Improvement Plan is adopted to cover project appropriations totalling \$159 million. This is \$90 million, or 129 percent more than last year. This increase includes anticipated federal grant funding for major drainage pump stations to help manage storm tides and the effects of sea rise on the north side of the island. The total budget is \$318.7 million, a 45 percent increase over FY 2021.

After being provided a 20% increase in taxable values by the Galveston County Appraisal District, the property tax rate was reduced from \$0.56 to \$0.4985, including \$0.446 for maintenance and operations and \$0.0525 for debt service. The reduction ensured that the overall increase in property tax revenue complied with the State's rate setting rules. In accordance with the City Charter, the budget also includes a General Fund transfer equal to eight percent of the budget (\$5.12 million) to the Infrastructure and Debt Service Fund. This transfer is being used to pay for projects in excess of \$100,000 and also to pay debt service for property tax supported bonds as required by the Charter.

For budget purposes, water and sewer rates are being held constant as revenues continue to perform well. General Fund operating budget priorities included \$2.2 million for public safety including \$0.97 million for police and fire classified personnel pay increases. Other priorities include cost of living pay adjustments averaging two percent for non-civil service personnel, as well as generally flat budget amounts for the rest of the City's operations outside of public safety. City staff were increased overall with the addition of four positions. City Council also approved an increase in solid waste fees, largely to address the condition of the fleet.

Requests for Information

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

Basic Financial Statement



2021 Annual Comprehensive Financial Report



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STATEMENT OF NET POSITION
September 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 33,073,278	\$ 10,385,681	\$ 43,458,959	\$ 44,575,075
Accounts receivable, net of allowance for doubtful accounts	4,332,848	9,828,316	14,161,164	8,101,905
Lease receivable - current	-	508,188	508,188	-
Internal balances	(12,743,913)	12,743,913	-	-
Due from other governments	24,990,562	-	24,990,562	-
Restricted cash and investments	92,851,278	23,684,437	116,535,715	15,351,930
Inventories	577,982	214,265	792,247	9,925
Prepaid items	671,880	170,661	842,541	1,308,060
Total current assets	143,753,915	57,535,461	201,289,376	69,346,895
Non-current assets:				
Lease receivable - non current	-	17,537,813	17,537,813	-
Net investment in direct financing and capital leases	-	-	-	1,062,113
Capital assets not being depreciated	54,296,358	73,473,559	127,769,917	36,037,249
Capital assets net of depreciation	186,874,563	280,244,720	467,119,283	401,396,282
Right of use asset net of amortization	446,694	-	446,694	-
Total non-current assets	241,617,615	371,256,092	612,873,707	438,495,644
Total Assets	385,371,530	428,791,553	814,163,083	507,842,539
Deferred Outflows of Resources				
Deferred charge on bond issuance	340,317	729,754	1,070,071	112,389
Deferred outflows relating to other post-employment benefits (OPEB)	5,395,132	-	5,395,132	-
Deferred outflows relating to pension activities	11,392,145	1,308,251	12,700,396	363,085
Total Deferred Outflows of Resources	17,127,594	2,038,005	19,165,599	475,474
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	14,347,907	4,403,682	18,751,589	14,264,993
Due to other governments	148,100	197,329	345,429	901,770
Accrued interest	1,054,128	1,392,202	2,446,330	510,725
Unearned revenue	15,345,479	325,169	15,670,648	531,681
Customer deposits	13,067	2,491,891	2,504,958	-
Total current liabilities	30,908,681	8,810,273	39,718,954	16,209,169
Non-current liabilities:				
Long-term liabilities due within one year	9,352,483	7,485,675	16,838,158	4,942,760
Long-term liabilities due in more than one year	87,442,310	88,083,113	175,525,423	49,483,001
Total OPEB liability (health insurance)	14,665,606	-	14,665,606	-
Net pension liability	66,797,979	5,149,524	71,947,503	1,711,050
Total non-current liabilities	178,258,378	100,718,312	278,976,690	56,136,811
Total Liabilities	209,167,059	109,528,585	318,695,644	72,345,980
Deferred Inflows of Resources				
Deferred income	-	-	-	209,241
Deferred inflows relating to leases	-	17,590,465	17,590,465	-
Deferred inflows relating to OPEB	2,175,514	-	2,175,514	-
Deferred inflows relating to pension activities	7,307,919	1,893,374	9,201,293	1,427,451
Total Deferred Inflows of Resources	9,483,433	19,483,839	28,967,272	1,636,692
Net Position				
Net investment in capital assets	191,088,397	277,342,352	468,430,749	404,610,149
Restricted:				
Capital projects	16,466,127	-	16,466,127	-
Grants	1,075,725	-	1,075,725	-
Beach preservation	2,474,001	-	2,474,001	-
Infrastructure and debt service	4,539,267	-	4,539,267	-
Debt service	3,388,374	-	3,388,374	6,886,389
Tourism, convention and hotel industry	7,526,152	-	7,526,152	-
Unrestricted	(42,709,411)	24,474,782	(18,234,629)	22,838,803
Total Net Position	\$ 183,848,632	\$ 301,817,134	\$ 485,665,766	\$ 434,335,341

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 12,515,751	\$ 42,016	\$ -	\$ 375,866
Public safety	40,159,064	1,899,567	203,843	-
Public works	12,041,837	-	-	-
Culture and recreation	23,608,324	2,790,744	100,000	-
Planning and community development	5,796,465	2,086,987	1,958,022	6,711,763
Transportation system	4,203,250	154,584	2,651,815	775,763
Interest on long-term debt	2,529,858	-	-	-
Total Governmental Activities	<u>100,854,549</u>	<u>6,973,898</u>	<u>4,913,680</u>	<u>7,863,392</u>
Business-type activities:				
Combined utility system	39,697,274	37,183,780	-	-
Sanitation	7,049,247	6,380,263	-	-
Drainage	3,133,526	2,822,591	-	-
Airport	2,173,427	177,114	50,000	-
Total Business-type Activities	<u>52,053,474</u>	<u>46,563,748</u>	<u>50,000</u>	<u>-</u>
Total Primary Government	<u>\$ 152,908,023</u>	<u>\$ 53,537,646</u>	<u>\$ 4,963,680</u>	<u>\$ 7,863,392</u>
Component Units	63,737,517	36,517,795	-	2,086,506
Total Component Units	<u>\$ 63,737,517</u>	<u>\$ 36,517,795</u>	<u>\$ -</u>	<u>\$ 2,086,506</u>
General revenues				
Property taxes				
Sales tax				
Mixed beverage tax				
Hotel occupancy taxes				
Franchise and other taxes				
Payments in lieu of taxes				
Unrestricted investment earnings				
Lease Revenue				
Miscellaneous				
Transfers				
Total general revenues, special items and transfers				
Change in net position				
Net position - beginning				
Prior period adjustments				
Net position - ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (12,097,869)	\$ -	\$ (12,097,869)	
(38,055,654)	-	(38,055,654)	
(12,041,837)	-	(12,041,837)	
(20,717,580)	-	(20,717,580)	
4,960,307	-	4,960,307	
(621,088)	-	(621,088)	
(2,529,858)	-	(2,529,858)	
<u>(81,103,579)</u>	<u>-</u>	<u>(81,103,579)</u>	
-	(2,513,494)	(2,513,494)	
-	(668,984)	(668,984)	
-	(310,935)	(310,935)	
-	(1,946,313)	(1,946,313)	
-	(5,439,726)	(5,439,726)	
<u>\$ (81,103,579)</u>	<u>\$ (5,439,726)</u>	<u>\$ (86,543,305)</u>	
			\$ (25,133,216)
			<u>\$ (25,133,216)</u>
38,636,909	-	38,636,909	895,165
24,997,605	-	24,997,605	-
1,004,855	-	1,004,855	-
15,629,965	-	15,629,965	15,969,817
5,012,286	-	5,012,286	573,338
488,121	-	488,121	-
83,569	573,985	657,554	(1,246,934)
-	942,480	942,480	-
2,809,773	356,096	3,165,869	2,277,767
(2,282,323)	2,282,323	-	-
<u>86,380,760</u>	<u>4,154,884</u>	<u>90,535,644</u>	<u>18,469,153</u>
5,277,181	(1,284,842)	3,992,339	(6,664,063)
178,571,451	303,101,976	481,673,427	439,029,499
-	-	-	1,969,905
<u>\$ 183,848,632</u>	<u>\$ 301,817,134</u>	<u>\$ 485,665,766</u>	<u>\$ 434,335,341</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
 September 30, 2021

	General Fund	Hurricane Ike Fund	CDBG Disaster Fund Non-Housing	General Obligation Bonds 2019 Capital Projects Fund	American Rescue Plan Act	Non-Major Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 18,144,057	\$ -	\$ -	\$ -	\$ -	\$ 7,676,361	\$ 25,820,418
Receivables, net of allowance for uncollectibles	3,560,294	-	-	-	-	466,720	4,027,014
Due from other governments	3,719,167	7,933,068	5,813,153	-	-	7,456,379	24,921,767
Due from other funds	2,885,055	223,099	-	-	-	3,186,060	6,294,214
Inventories	-	-	-	-	-	210,080	210,080
Prepaid items	51,607	-	-	-	-	6,838	58,445
Restricted cash and investments	-	4,161,347	-	31,835,693	13,517,289	43,336,949	92,851,278
Total Assets	\$ 28,360,180	\$ 12,317,514	\$ 5,813,153	\$ 31,835,693	\$ 13,517,289	\$ 62,339,387	\$ 154,183,216
Liabilities							
Accounts payable	1,089,991	6,360	13,870	2,874,393	207,345	5,650,816	9,842,775
Accrued liabilities	2,342,816	-	-	216,090	-	767,067	3,325,973
Due to other funds	65,158	12,308,475	5,799,283	-	-	2,186,161	20,359,077
Due to other governments	141,798	-	-	-	-	6,302	148,100
Unearned revenue	783,176	2,679	-	-	13,309,944	1,249,680	15,345,479
Customer deposits	-	-	-	-	-	13,067	13,067
Total Liabilities	4,422,939	12,317,514	5,813,153	3,090,483	13,517,289	9,873,093	49,034,471
Deferred Inflows of Resources							
Unavailable revenue - property taxes	1,311,936	-	-	-	-	213,155	1,525,091
Unavailable revenue - court fines	679,746	-	-	-	-	-	679,746
Total Deferred Inflows of Resources	1,991,682	-	-	-	-	213,155	2,204,837
Fund Balance							
Nonspendable:							
Inventories	-	-	-	-	-	210,080	210,080
Prepaid items	51,607	-	-	-	-	6,838	58,445
Restricted:							
Debt service	-	-	-	-	-	4,442,502	4,442,502
Beach preservation	-	-	-	-	-	2,474,001	2,474,001
Infrastructure and debt service	-	-	-	-	-	4,539,267	4,539,267
Capital projects	-	-	-	28,745,210	-	23,719,006	52,464,216
Grants	-	-	-	-	-	1,075,725	1,075,725
Tourism, convention and hotel industry:							
Convention center operator	-	-	-	-	-	5,568,561	5,568,561
City of Galveston	-	-	-	-	-	1,957,591	1,957,591
Governmental projects	-	-	-	-	-	1,371,708	1,371,708
Assigned:							
Emergency reserves	15,097,988	-	-	-	-	-	15,097,988
Other	-	-	-	-	-	6,889,785	6,889,785
Unassigned	6,795,964	-	-	-	-	(1,925)	6,794,039
Total Fund Balance	21,945,559	-	-	28,745,210	-	52,253,139	102,943,908
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 28,360,180	\$ 12,317,514	\$ 5,813,153	\$ 31,835,693	\$ 13,517,289	\$ 62,339,387	\$ 154,183,216

See Notes to Financial Statements.

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

September 30, 2021

Total fund balance, governmental funds	\$ 102,943,908
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 \$406,399,637 and the accumulated depreciation is \$170,589,161.	235,810,476
Right to use 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 \$598,914 and the accumulated amortization is \$152,220.	446,694
Long-term non-financial receivables are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds.	
Property taxes receivable	1,525,091
Adjudicated municipal court fines	679,746
Certain liabilities, including bonds payable, compensated absences, claims and judgements, lease payable, and net pension liability are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, claims and judgement, and net pension liability consists of:	
Bonds payable, at maturity	(73,691,499)
Lease payable	(452,599)
Accrued interest on the bonds	(1,054,128)
Premium/discount of bonds payable	(8,893,123)
Compensated absences	(11,182,997)
Deferred charge on refunding of debt	340,317
Net pension liability	(66,797,979)
	(161,732,008)
Deferred outflows and deferred inflows relating to pension activities	4,084,226
The assets and liabilities of certain internal service funds are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	90,499
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 183,848,632</u>

See Notes to Financial Statements.

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

For the Year Ended September 30, 2021

	General Fund	Hurricane Ike Fund	CDBG Disaster Fund Non-Housing	General Obligation Bonds 2019 Capital Projects Fund	American Rescue Plan Act	Non-Major Governmental Funds	Total Governmental Funds
Revenues							
Taxes:							
Property taxes	\$ 31,650,997	\$ -	\$ -	\$ -	\$ -	\$ 7,057,207	\$ 38,708,204
Sales tax	18,748,204	-	-	-	-	6,249,401	24,997,605
Hotel occupancy taxes	-	-	-	-	-	15,629,966	15,629,966
Mixed beverage tax	1,004,855	-	-	-	-	-	1,004,855
Franchise and other taxes	5,012,286	-	-	-	-	-	5,012,286
Licenses and permits	1,847,839	-	-	-	-	-	1,847,839
Fines and forfeitures	1,652,475	-	-	-	-	82,629	1,735,104
Charges for services	320,064	-	-	-	-	2,397,511	2,717,575
Investment earnings	36,749	-	-	21,933	-	22,824	81,506
Intergovernmental	-	1,850,733	747,333	-	375,866	9,738,402	12,712,334
Payments in lieu of taxes	488,121	-	-	-	-	-	488,121
Other	2,805,558	134	-	-	-	220,485	3,026,177
Total Revenues	63,567,148	1,850,867	747,333	21,933	375,866	41,398,425	107,961,572
Expenditures							
Current:							
General government	8,133,803	17,776	-	-	-	3,363,228	11,514,807
Public safety	37,361,903	-	-	-	-	480,564	37,842,467
Highways and roads	3,080,829	11,378	-	-	-	1,488,705	4,580,912
Culture and recreation	2,934,254	-	-	-	-	16,780,183	19,714,437
Planning and community development	1,544,714	-	43,414	-	-	2,002,161	3,590,289
Transportation	-	-	-	-	-	3,505,326	3,505,326
Debt Service:							
Principal	-	-	-	-	-	3,755,100	3,755,100
Interest and other charges	-	-	-	-	-	3,287,106	3,287,106
Capital Outlay	426,408	1,756,764	703,919	8,604,528	375,866	11,861,958	23,729,443
Total Expenditures	53,481,911	1,785,918	747,333	8,604,528	375,866	46,524,331	111,519,887
Excess (deficiency) of revenues over expenditures	10,085,237	64,949	-	(8,582,595)	-	(5,125,906)	(3,558,315)
Other Financing Sources (Uses)							
Sale of capital assets	88,879	-	-	-	-	161,654	250,533
Transfers in	2,767,700	-	-	-	-	9,540,679	12,308,379
Transfers (out)	(7,748,818)**	(64,949)	-	-	-	(2,676,460)	(10,490,227)
Total Other Financing Sources and Uses	(4,892,239)	(64,949)	-	-	-	7,025,873	2,068,685
Net change in fund balance	5,192,998	-	-	(8,582,595)	-	1,899,967	(1,489,630)
Fund balance - beginning	16,752,561	-	-	37,327,805	-	50,353,172	104,433,538
Fund balance - ending	\$ 21,945,559	\$ -	\$ -	\$ 28,745,210	\$ -	\$ 52,253,139	\$ 102,943,908

** City Charter mandated (Ordinance No 12-009) 8% of General Fund budget revenues to be transferred from General Fund to Infrastructure & Debt Service Fund for either Capital Improvements or Debt Service in every year. See additional transfer information in Note 6 and Infrastructure & Debt Service Fund Financial Statements in the Combining and Individual Fund Statements and Schedules with the Non-Major Governmental Funds

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, 2021

Net change in fund balance - total governmental funds:	\$ (1,489,630)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation (\$10,321,389) is exceeded by capital outlay expenditures (\$12,491,830) in the current period.	2,170,439
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.	(100,098)
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.	6,530,987
Governmental funds report proceeds from new debt as a current financial resource. 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 repayments exceeded proceeds.	3,755,100
Governmental funds report repayment of lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	146,314
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	179,798
Changes in deferred charge bond issuance and unamortized premiums	577,452
Changes in accrued compensated absences	(69,775)
Pension expense for the pension plan measurement year	(7,841,915)
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and insurance programs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>1,418,509</u>
Change in net position of governmental activities	<u>\$ 5,277,181</u>

See Notes to Financial Statements.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental
	Combined Utility System	Airport	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,099,941	\$ 1,067,092	\$ 218,648	\$ 10,385,681	\$ 7,252,860
Accounts receivable, net of allowance for doubtful accounts	7,859,587	102,765	1,865,964	9,828,316	306,487
Lease receivable - current	26,561	481,627	-	508,188	-
Due from other funds	12,644,937	100	1,511,261	14,156,298	77,486
Due from component units	-	-	-	-	68,795
Inventories	189,496	-	24,769	214,265	367,902
Prepaid items	55,008	107,488	8,165	170,661	613,435
Restricted cash and cash equivalents	22,498,009	1,053,136	133,292	23,684,437	-
Total current assets	52,373,539	2,812,208	3,762,099	58,947,846	8,686,965
Non-current assets:					
Lease receivable - non-current	512,627	17,025,186	-	17,537,813	-
Capital assets not being depreciated:					
Land	1,360,000	1,230,763	315,941	2,906,704	-
Construction in progress	61,079,402	423,277	9,064,176	70,566,855	416,002
Capital assets (net of depreciation):					
Infrastructure	110,903,583	18,273,651	5,925,465	135,102,699	-
Buildings and improvements	128,965,225	2,876,878	359,140	132,201,243	3,533,169
Equipment and furniture	3,022,313	127,027	1,477,471	4,626,811	1,049,715
Licensed vehicles	2,581,965	23,163	2,812,800	5,417,928	361,559
Intangibles	2,896,039	-	-	2,896,039	-
Total non-current assets	311,321,154	39,979,945	19,954,993	371,256,092	5,360,445
Total Assets	363,694,693	42,792,153	23,717,092	430,203,938	14,047,410
Deferred Outflows of Resources					
Deferred charge on refunding	729,754	-	-	729,754	-
Deferred outflows relating to OPEB	-	-	-	-	5,395,132
Deferred outflows relating to pension activities	773,057	29,733	505,461	1,308,251	-
Total Deferred Outflows of Resources	1,502,811	29,733	505,461	2,038,005	5,395,132
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	3,932,184	41,214	430,284	4,403,682	1,179,812
Accrued interest	1,392,202	-	-	1,392,202	-
Due to other funds	74,423	83,518	10,980	168,921	-
Due to other governments	152,036	-	45,293	197,329	-
Customer deposits	2,491,891	-	-	2,491,891	-
Unearned revenue	312,227	-	12,942	325,169	-
Total current liabilities	8,354,963	124,732	499,499	8,979,194	1,179,812
Non-current liabilities:					
Long-term liabilities, due within one year	7,110,674	25,837	349,164	7,485,675	1,650,355
Long-term liabilities, due in more than one year	87,699,798	11,971	371,344	88,083,113	924,220
Total OPEB liability	-	-	-	-	14,665,606
Net pension liability	3,042,901	117,035	1,989,588	5,149,524	-
Total non-current liabilities	97,853,373	154,843	2,710,096	100,718,312	17,240,181
Total Liabilities	106,208,336	279,575	3,209,595	109,697,506	18,419,993
Deferred Inflows of Resources					
Deferred inflows relating to leases	524,208	17,066,257	-	17,590,465	-
Deferred inflows relating to OPEB	-	-	-	-	2,175,514
Deferred inflows relating to pension activities	1,118,812	43,031	731,531	1,893,374	-
Total Deferred Inflows of Resources	1,643,020	17,109,288	731,531	19,483,839	2,175,514
Net Position					
Net investment in capital assets	234,432,600	22,954,759	19,954,993	277,342,352	5,360,445
Restricted:					
Unrestricted	22,913,548	2,478,264	326,434	25,718,246	(6,513,410)
Total Net Position	\$ 257,346,148	\$ 25,433,023	\$ 20,281,427	\$ 303,060,598	\$ (1,152,965)

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

Total Net Position per Government-Wide financial statements

See Notes to Financial Statements.

(1,243,464)

\$ 301,817,134

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

For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Combined Utility System	Airport	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
Charges for services	\$ 37,183,780	\$ 177,115	\$ 9,202,854	\$ 46,563,749	\$ 25,457,165
Lease revenue	39,596	902,884	-	942,480	-
Miscellaneous	108,286	34,635	178,110	321,031	707,619
Total operating revenues	<u>37,331,662</u>	<u>1,114,634</u>	<u>9,380,964</u>	<u>47,827,260</u>	<u>26,164,784</u>
Operating Expenses					
Personnel services	8,947,764	457,830	5,558,218	14,963,812	4,993,514
Contractual services	4,696,194	181,618	2,744,458	7,622,270	5,492,599
Supplies and materials	2,511,829	70,133	220,438	2,802,400	2,315,272
Surface water contract	7,828,983	-	-	7,828,983	-
Insurance claims and premiums	-	-	-	-	13,152,442
Other expenses	1,781,697	316,063	314,784	2,412,544	668,568
Depreciation	9,172,347	1,147,783	1,344,802	11,664,932	577,201
Total operating expenses	<u>34,938,814</u>	<u>2,173,427</u>	<u>10,182,700</u>	<u>47,294,941</u>	<u>27,199,596</u>
Operating income (loss)	<u>2,392,848</u>	<u>(1,058,793)</u>	<u>(801,736)</u>	<u>532,319</u>	<u>(1,034,812)</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	51,400	521,715	870	573,985	2,061
Insurance proceeds	-	-	-	-	339,370
Intergovernmental grants	-	50,000	-	50,000	-
Gain(Loss) on disposal of capital assets	(65,040)	81,124	18,981	35,065	28,795
Interest expense	(4,030,515)	-	(73)	(4,030,588)	(11,917)
Total non-operating revenue (expenses)	<u>(4,044,155)</u>	<u>652,839</u>	<u>19,778</u>	<u>(3,371,538)</u>	<u>358,309</u>
Income (loss) before contributions and transfers	<u>(1,651,307)</u>	<u>(405,954)</u>	<u>(781,958)</u>	<u>(2,839,219)</u>	<u>(676,503)</u>
Capital contributions	69,154	-	5,398,388	5,467,542	-
Transfers in	-	-	57,000	57,000	1,813,252
Transfers (out)	(2,376,893)	(63,296)	(802,030)	(3,242,219)	(446,185)
Change in net position	<u>(3,959,046)</u>	<u>(469,250)</u>	<u>3,871,400</u>	<u>(556,896)</u>	<u>690,564</u>
Net position - beginning	<u>261,305,194</u>	<u>25,902,273</u>	<u>16,410,027</u>	<u>303,617,494</u>	<u>(1,843,529)</u>
Net position - ending	<u>\$ 257,346,148</u>	<u>\$ 25,433,023</u>	<u>\$ 20,281,427</u>	<u>\$ 303,060,598</u>	<u>\$ (1,152,965)</u>
Change in net position per above				\$ (556,896)	
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.				(727,945)	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements				\$ (1,284,841)	

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**
For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental
	Combined Utility System	Airport	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 39,026,333	\$ 266,718	\$ 8,590,120	\$ 47,883,171	\$ 14,115,049
Lease revenue	24,616	462,328	-	486,944	-
Miscellaneous	108,286	34,635	178,110	321,031	707,620
Receipts for interfund services	-	-	-	-	12,231,419
Disbursed for employee services	(8,909,420)	(448,180)	(5,692,064)	(15,049,664)	(4,994,747)
Disbursed for goods and services	(19,616,852)	(662,109)	(3,249,980)	(23,528,941)	(20,603,081)
Net cash provided (used) by operating activities	<u>10,632,963</u>	<u>(346,608)</u>	<u>(173,814)</u>	<u>10,112,541</u>	<u>1,456,260</u>
Cash Flows from Non-Capital Financial Activities:					
Transfers from other funds	-	-	57,000	57,000	1,813,252
Transfers to other funds	(2,376,893)	(63,296)	(802,030)	(3,242,219)	(446,185)
Net cash provided (used) by noncapital financing activities	<u>(2,376,893)</u>	<u>(63,296)</u>	<u>(745,030)</u>	<u>(3,185,219)</u>	<u>1,367,067</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from the sale of equipment	41,958	81,124	18,981	142,063	28,795
Intergovernmental grants	-	50,000	-	50,000	-
Insurance proceeds	-	-	-	-	339,370
Issuance of debt	13,545,000	-	-	13,545,000	-
Bond issuance costs	(217,353)	-	-	(217,353)	-
Interest payments on debt	(4,617,516)	-	-	(4,617,516)	(129,148)
Principal payments on debt	(23,660,205)	-	-	(23,660,205)	(11,917)
Interest paid	-	-	(73)	(73)	-
Acquisition and construction of capital assets	(20,862,748)	(258,678)	(299,162)	(21,420,588)	(2,627)
Net cash provided (used) by capital and related financing activities	<u>(35,770,864)</u>	<u>(127,554)</u>	<u>(280,254)</u>	<u>(36,178,672)</u>	<u>224,473</u>
Cash Flows from Investing Activities					
Interest received	51,400	521,715	870	573,985	2,060
Net cash provided (used) by investing activities	<u>51,400</u>	<u>521,715</u>	<u>870</u>	<u>573,985</u>	<u>2,060</u>
Net increase (decrease) in cash and equivalents	<u>(27,463,394)</u>	<u>(15,743)</u>	<u>(1,198,228)</u>	<u>(28,677,365)</u>	<u>3,049,860</u>
Cash and equivalents, beginning of year	59,061,344	2,135,971	1,550,168	62,747,483	4,203,000
Cash and equivalents, at end of year	<u>\$ 31,597,950</u>	<u>\$ 2,120,228</u>	<u>\$ 351,940</u>	<u>\$ 34,070,118</u>	<u>\$ 7,252,860</u>
Unrestricted cash and equivalents	\$ 9,099,941	\$ 1,067,092	\$ 218,648	\$ 10,385,681	\$ 7,252,860
Restricted cash and equivalents	22,498,009	1,053,136	133,292	23,684,437	-
	<u>\$ 31,597,950</u>	<u>\$ 2,120,228</u>	<u>\$ 351,940</u>	<u>\$ 34,070,118</u>	<u>\$ 7,252,860</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 2,392,848	\$ (1,058,793)	\$ (801,736)	\$ 532,319	\$ (1,034,812)
Adjustments to reconcile operating income to cash provided by operating activities:					
Depreciation and amortization	9,172,347	1,147,783	1,344,802	11,664,932	577,201
(Increase) decrease in accounts receivable	1,674,379	89,604	173,267	1,937,250	988,375
(Increase) decrease in lease receivable	(14,980)	(440,556)	-	(455,536)	-
(Increase) decrease in inventory	124,058	-	(18,189)	105,869	(99,602)
(Increase) decrease in prepaid items	14,819	-	2,067	16,886	4,231
(Increase) decrease in interfund receivables and payables	(2,097,519)	-	(784,508)	(2,882,027)	(64,949)
(Increase) decrease in deferred outflows/inflows related to pension activities	430,545	16,689	287,119	734,353	-
(Increase) decrease in deferred outflows/inflows relating to OPEB	-	-	-	-	(2,490,158)
Increase (decrease) in accounts payable and accrued expenses	(876,740)	(94,295)	47,009	(924,026)	539,162
Increase (decrease) in customer deposits	168,174	-	-	168,174	-
Increase (decrease) in claims payable	-	-	-	-	(213,487)
Increase (decrease) in compensated absences payable	(106,320)	9,077	(13,831)	(111,074)	(35,356)
Increase (decrease) in deferred revenue	37,233	-	(2,678)	34,555	-
Increase (decrease) in total OPEB liability	-	-	-	-	3,285,655
Increase (decrease) in net pension liability	(285,881)	(16,117)	(407,136)	(709,134)	-
Net cash provided (used) by operating activities	<u>\$ 10,632,963</u>	<u>\$ (346,608)</u>	<u>\$ (173,814)</u>	<u>\$ 10,112,541</u>	<u>\$ 1,456,260</u>
Non-cash Transactions:					
Capital contributions	\$ 69,154	\$ -	\$ 5,398,388	\$ 5,467,542	\$ -
See Notes to Financial Statements.					

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**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION**

	Pension Trust Funds as of December 31, 2020	Custodial Fund as of September 30, 2021
Assets		
Cash and temporary investments	\$ 1,015,222	\$ 396,588
Receivables		
Interest and dividends	56,210	-
Loans to participants	268,174	-
Prepaid items	757	-
Investments		
Money market funds	2,184,555	-
U.S. Government agencies	194,755	-
Bonds	5,842,444	-
Common stocks	25,309,524	-
Equity mutual funds	70,154,810	-
Bond mutual funds	26,413,554	-
Alternative investments	1,272,762	-
Hedge funds	4,873,670	-
Real estate	1,784,579	-
Total Assets	<u>139,371,016</u>	<u>396,588</u>
Liabilities		
Accounts and refunds payable	6,785	-
Total Liabilities	<u>6,785</u>	<u>-</u>
Net Position		
Restricted for:		
Held in trust for benefits and other purposes	139,364,231	-
Individuals, organizations and other governments	-	396,588
Total Net Position	<u>\$ 139,364,231</u>	<u>\$ 396,588</u>

See Notes to Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Pension Trust Funds For the Year Ended December 31, 2020	Custodial Fund For the Year Ended September 30, 2021
Additions		
Contributions:		
Employer	\$ 6,402,138	\$ -
Plan members	4,805,415	-
Total contributions	<u>11,207,553</u>	<u>-</u>
Investment Earnings:		
Net increase in fair value of investments	11,124,822	-
Interest and dividends	2,395,198	-
Less investment expenses	(423,720)	-
Net investment income	<u>13,096,300</u>	<u>-</u>
Total Additions	24,303,853	-
Deductions		
Benefits paid to members and beneficiaries	12,521,987	-
Refunds of contributions	510,577	-
Refunds and transfers to other funds	-	324,931
Administrative expenses	388,625	-
Total Deductions	<u>13,421,189</u>	<u>324,931</u>
Change in net position	10,882,664	(324,931)
Net position, beginning of year, as restated	<u>128,481,567</u>	<u>721,519</u>
Net position, end of year	<u>\$ 139,364,231</u>	<u>\$ 396,588</u>

See Notes to Financial Statements.

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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 the 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.

Discretely Presented Component Units

Discretely presented component units are legally separate entities for which the City is not financially accountable (because it does not impose will or have a financial benefit or burden relationship, even though the City Council appoints the voting majority of the component units' governing board) 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, which is fiscally dependent on the City's 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 (GIRDA) 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 GIRDA has oversight responsibility for tax increment reinvestment zone thirteen. This tax zone was established to provide funds for development and improvement projects within a specific geographic area of the City. The GIRDA is fiscally dependent on the City's property tax receipts over undeveloped

assessments (base value) to provide funding for the development and improvement projects. The City Council 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 GIRDA) and separate audited reports are available. Complete financial statements for the GIRDA may be obtained at the following address:

Galveston Island Redevelopment Authority
1011 Tremont Street
Galveston, Texas 77550

GIRDA had been responsible previously for zones twelve and fourteen as well. On December 12, 2019, the City Council passed Ordinance No. 19-076 which closed Tax Increment Reinvestment Zones Twelve and Fourteen (“the TIRZ”) effective December 31, 2019. The City entered into an Interlocal Agreement with the County of Galveston relating to the procedures for the closing of the TIRZ as well as the distribution of tax increments held by the Galveston Island Redevelopment Authority.

Public Improvement District- Campeche Shores

Campeche Shores Public Improvement District (Campeche District) was established by the City to provide funds for development and improvement projects specifically for Campeche Shores District. An agreement between GIRDA and Campeche Shores LP dated April 28, 2005, details the responsibilities between all parties, including the City. Under the authority of GIRDA, the City has established a Public Improvement District Fund for the district. The City Council appoints an advisory board who aid and assist the City in the preparation of the assessment roll, collection of assessments and the operation and management of Campeche District for the benefit of the City. Each year, following the levy and collection of assessments, the City shall transfer the amount to GIRDA. GIRDA is fiscally dependent on these funds to pay the administrative costs and to reimburse Campeche Shores LP for any and all costs associated with the public improvements which serve the citizens of the City. Separately issued financial statements are not available.

Public Improvement District- Beachside Village

Beachside Village Public Improvement District (Beachside District) was established by the City on February 11, 2010 to provide funds for street, drainage and utility public improvement projects, specifically in Beachside Village Public Improvement District. The GIRDA has an agreement with Kahala Development, Limited Partnership, which details the responsibilities between all parties, including the City. The City Council appoints an advisory board who aid and assist the City in the preparation of the assessment roll, collection of assessments and the operation and management of Beachside District for the benefit of the City. Each year, following the levy and collection of assessments levied against property within the district, the City shall transfer the amount to GIRDA. GIRDA is fiscally dependent on these funds to pay the administrative costs and to reimburse Kahala Development for the costs of constructing the public improvements which serve the citizens of the City. 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 according to the law of the Texas Local Government Code Chapter 372 Subchapter A 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 were made on schedule as of March 2020 using reserves programmed for that purpose and assessments collected. The City has no financial or legal responsibility for payment of the bonds. The City’s only responsibility for now is to pursue collections of assessments which is performed by a third party contractor on behalf of the City. The City’s financial burden begins when the bonds are paid in full. The City’s obligation will be to maintain the rights-of-way, landscaping, and infrastructure of the district.

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 GIRDA 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. Separately issued financial statements are not available and are not included in this report.

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 the City Council, is a seven-member board, which is responsible for operating the wharves and is fiscally dependent on the City to approve the issuance of bonded debt. 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 City 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 **CDBG Disaster Recovery Non-housing** fund is 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 **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.

The **General Obligation Bonds 2019 Capital Projects Fund** is used to account for capital outlay financed by proceeds from the General Obligation Bonds, Series 2019.

The **American Rescue Plan Act** fund is used to account for receipt and expenditures of grant monies from the US Department of Treasury for the Coronavirus State and Local Fiscal Recovery Funds used to respond to acute pandemic response needs, fill revenue shortfalls among these governments, and support the communities and populations hardest-hit by the COVID-19 crisis.

The City reports the following major enterprise funds:

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

The **Airport** fund is used 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.

Additionally, the City 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 **Custodial Funds** are used to account for assets held by the City as a custodian 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 investments are valued at Level 1 using inputs obtained from quoted prices in active markets for identical assets. 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*. Market values for investment securities are provided by Hilltop Securities Asset Management, LLC. (HSAM). HSAM's source for pricing government securities (Treasuries and agencies) and most commercial paper is SVC, a subsidiary of SS&C and an information aggregator. SVC uses a number of sources for their pricing data, with most government securities and commercial paper pricing provided by Interactive Data Corp (IDC), an independent third-party pricing service, which is the largest source provider of fixed income pricing. Interactive Data's evaluations are based on market data. Interactive Data utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, Interactive Data's evaluated pricing applications apply available information as

applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. SVC and/or IDC provide some, but not all, of the commercial paper (CP) pricing, while HSAM estimates other CP prices based on comparable market offers of similar issuers with comparable credit ratings and maturity dates. All pricing and market values for separately held investments are based on Level 2 inputs. These sources are deemed reliable.

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 25.1 percent of total property taxes including the related penalty and interest accrual as of year-end. The allowance for enterprise fund charges for services is 41.4 percent of total outstanding charges as of year-end.

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

F. Inventories and Prepaid Items

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

Payments made to vendors for services that will benefit periods beyond September 30, 2021 are recorded as prepaid items.

G. Capital Assets

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

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

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

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

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

H. Leases

Lessee: The City is a lessee for a noncancellable lease of equipment, office space and land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The City monitors changes in circumstances that would require a remeasurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Payments due under the lease contracts include fixed payments plus, for many of the City’s leases, variable payments. For office space leases that include variable payments, those include payments for the City’s proportionate share of the building’s property taxes, insurance, and common area maintenance. For office equipment leases for which the City has elected not to separate lease and non-lease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the City under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the City exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases across the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations. The majority of extension and termination options held are exercisable only by the City and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term.

Lessor: The City is a lessor for several noncancellable leases including but not limited to land, airport hangars and office space. The City recognizes a lease receivable and a deferred inflow of resources in the government wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. 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.

J. 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.

K. Fund Balances and Net Position

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

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

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

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

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or by the City Council's designee, pursuant to the City's fund balance policy.

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

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

L. 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.

M. 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.

N. Legal Compliance- Budgets

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

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

The adoption of the budget shall require a favorable vote of at least a majority of all the members of the Council. In the event that the budget has not been adopted by the beginning of the fiscal year the latest budget proposed by the City Manager shall take and remain in effect until the budget is finally adopted by the Council.

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

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

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

Capital and planning grant activities in the Island Transit Fund are not budgeted on an annual basis and are controlled in a manner similar to the grant project funds noted above. Budgeted amounts are reported herein as amended throughout the year. There were two formal, ordinance approved budget amendments during FY 2021. Total appropriations remained 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 has authority, without City Council approval, to transfer appropriation balances from one expenditure account to another, inclusive within a single office, department or agency of the City.

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

O. Estimates

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

P. 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.

Q. Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected

from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by the City's third-party actuary in compliance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

R. 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 some items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported for the City in the government-wide and enterprise fund financial statement of net position. One portion of this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five-year period.
- Deferred outflows of resources for other postemployment benefits (OPEB) – Reported for the City in the government-wide and enterprise fund financial statement of net position. One portion of this deferred outflow results from contributions to the OPEB plan made after the measurement date of the OPEB liability. The other OPEB related deferred outflows result primarily from differences between projected and actual earnings on plan investments. These amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with the OPEB through the OPEB plan.
- Deferred loss on refunding reported in the statement of net position – this deferred outflow results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

- Deferred gain on refunding reported in the statement of net position – This deferred inflow results from the difference in carrying value the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – This deferred inflow results from the differences between expected and actual actuarial experiences and changes in actuarial assumptions will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows relating to OPEB - Reported for the City in the government-wide and enterprise fund financial statement of net position. The OPEB related deferred inflows result primarily from differences between projected and actual earnings on plan investments.
- Deferred inflows of resources for leases - The city recognizes a lease receivable and a deferred inflow of resources which is initially measured as the amount of lease receivable and adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as a revenue over the life of the lease term.
- Deferred inflows of resources relating to unearned revenues - Reported for the City in the governmental funds balance sheet financial statement. This deferred inflow results from property taxes and court fines revenues that are not available to pay current obligations.

S. New Accounting Standards

The following standards have been issued and implemented :

- *GASB Statement No. 84, Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities and has been implemented.
- *GASB Statement No. 87, Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement has been implemented.

- *GASB Statement No. 98*, Changed the name of the Annual Report to Annual Comprehensive Financial Report and this change has been implemented.

New Standards coming up:

- *GASB Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This will be implemented with effect from FY 2022.
- *GASB Statement No. 92, "Omnibus 2020"* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- *Statement No. 93, "Replacement of Interbank Offered Rates (IBOR)"* – The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR due to global reference rate reform. This will improve the usefulness of information for users of state and local government financial statements. The London Interbank Offered Rate (LIBOR) is expected to cease to exist at the end of 2021.
- *GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Note 2 - Deposits (Cash) and Investments

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

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

Collateral, with a 110% margin, is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities and municipal obligations rated no less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank. All bank deposits, totalling \$25.2 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 allows governments to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the PFIA and other similar cooperative statutes and under the statutes governing investment of funds by those local governments. TexTerm is directed by an advisory board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. The City's investment in this pool is the same as the value of the pool shares, which are valued based on quoted market rates.

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

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City Policy further restricts investments to AAAM-rated local government investment pools.

As of September 30, 2021,

- Investments in AAA-rated local government investment pools represented 84.26% of the total portfolio
- Holdings in AA+-rated US Government securities represented 0.0% of the total portfolio
- Bank deposits represented 11.06% of the total portfolio
- Total Mutual Funds represented 4.68% 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:

	Fair Value / Amortized Cost	Credit Quality Rating		Percentage of Investments
		S & P	Moody's	
Bank Deposits:				
Frost Bank-Sweep Repurchase	\$ 5,238,000			3.27%
Frost Bank-Deposit Accounts	12,456,908			7.79%
Total Bank Deposits	<u>17,694,908</u>			<u>11.06%</u>
Investment Types:				
Mutual Funds:				
US Bank	7,483,905			4.68%
Total Mutual Funds	<u>7,483,905</u>			<u>4.68%</u>
Local Government Investment Pools:				
TexPool	63,077,284	AAAm		39.42%
Texas Term	843,833	AAAm		0.53%
Local Government Investment Cooperative (LOGIC)	70,894,744	AAAm		44.31%
Total Local Government Investment Pools	<u>134,815,861</u>			<u>84.26%</u>
Total Investment Portfolio	<u>142,299,766</u>			<u>88.94%</u>
Total Bank Deposits & Investment Portfolio	<u>\$ 159,994,674</u>			<u>100.00%</u>

Interest Rate Risk.

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

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

Investment Type	Investment Maturities in Years	Investment Maturities in Years
	Less than 1 year	1 - 5 years
Local Government Pools	134,815,861	-
Total	<u>\$ 134,815,861</u>	<u>\$ -</u>

Custodial Credit Risk. To control custody and safekeeping risk, the City's investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held in the City's name by an independent party. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 110% 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.

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 investments are valued at Level 1 using inputs obtained from quoted prices in active markets for identical assets.

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*.

The City's sweep repurchase agreement market price is obtained from a generally recognized source agreed to by the parties or the most recent bid quotation from such source.

Quoted market prices are the basis of the fair value for the U.S. Treasury and Agency securities. There were no changes in the valuation technique and no nonrecurring fair value measurements during the current year. There were no U.S. Treasury and Agency securities held by the City as of September 30, 2021.

Investments' fair value measurements are as follows as of September 30, 2021:

	Fair Value / Amortized Cost	Fair Value Measurements Using			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Mutual Funds	\$ 7,483,905	\$ 7,483,905	\$ -	\$ -	1
Local Government Investment Pools	134,815,861	134,815,861	-	-	1
Total Investment Portfolio	<u>\$ 142,299,766</u>	<u>\$ 142,299,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1</u>

Note 3 – Property Tax

According to the Tax Code of the State of Texas, property values are established through appraisal and appeals processes administered by the Galveston County Appraisal District. As provided by law, the Galveston City Council has designated the Galveston County Tax Assessor-Collector as the City Tax Assessor-Collector. Reports and information provided in this Annual Comprehensive 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 on the city's total property tax rate. Approved in a charter election on January 20, 1979, language in Article VII Section 2 of the City Charter provides that the maximum property tax rate will be \$0.70 per \$100 of taxable valuation. This is inclusive of taxes levied to retire debt service, and the tax amount levied each year for the Rosenberg Library.

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

This allowance is based on receipts from one-fourth of the City's two percent sales tax generated for the prior July to June twelve month period. The effective tax rate calculation then requires a reduction in the total property tax rate equal to the property tax rate that would produce the same amount of sales tax collected as described. For FY 2021, the maximum property tax rate was \$0.61321. Within these guidelines, the adopted tax rate per \$100 of taxable valuation, for the year ended September 30, 2021, was \$0.56000. The tax rate to finance general governmental services was set at \$0.50750 and the tax rate for all other purposes, including debt service, was set at \$0.0525 per \$100 of assessed valuation.

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

Note 4 - Sales Tax

The City's sales tax rate is 2.0 percent for the year ended September 30, 2021. This rate includes 1.0 percent that generates receipts for general municipal operations that are deposited in the General Fund. Also deposited in the General Fund is the 0.5 percent sales tax collected for property tax rate reduction purposes (see Note 3). The remaining 0.5 percent is levied for economic development purposes and is deposited in the Industrial Development Corporation's funds.

On November 4, 2008, voters extended the economic development amount for the IDC fund for 20 years, to expire on April 1, 2029. Effective through March 31, 2029, the IDC fund collections are allocated strictly according to the language adopted by the voters. That language dedicates this economic development tax into four equal portions for beach renourishment, for streets, sewer and drainage improvement projects, for economic development programs and projects, and park improvements. Each of these portions of the tax are accounted for in what are reported in this annual report as four non-major governmental funds.

Note 5 - Accounts Receivable

Receivables, as of September 30, 2021 for the City's individual major funds, non-major funds and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

GOVERNMENTAL ACTIVITIES

	<u>General Fund</u>	<u>Hurricane Ike Fund</u>	<u>CDBG Disaster Fund Non-Housing</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>
Receivables:						
Property taxes	\$ 2,609,068	\$ -	\$ -	\$ 348,820	\$ 2,957,888	\$ -
Sales and use taxes	3,440,859	-	-	1,146,952	4,587,811	-
Franchise taxes	355,207	-	-	42,202	397,409	-
Hotel taxes	-	-	-	1,092,618	1,092,618	-
Court fines	2,741,117	-	-	-	2,741,117	-
Customer accounts	450,262	-	-	-	450,262	29,562
Intergovernmental	278,308	7,933,068	5,813,153	5,216,809	19,241,338	68,795
Other	620,555	-	-	211,363	831,918	276,925
Allowance for uncollectibles	(3,215,915)	-	-	(135,665)	(3,351,580)	-
Total	<u>\$ 7,279,461</u>	<u>\$ 7,933,068</u>	<u>\$ 5,813,153</u>	<u>\$ 7,923,099</u>	<u>\$ 28,948,781</u>	<u>\$ 375,282</u>

BUSINESS TYPE ACTIVITIES

	<u>Combined Utility System</u>	<u>Airport</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Receivables:				
Customer accounts	\$ 13,030,182	\$ 102,765	\$ 3,632,346	\$ 16,765,293
Allowance for uncollectibles	(5,170,595)	-	(1,766,382)	(6,936,977)
Total	<u>\$ 7,859,587</u>	<u>\$ 102,765</u>	<u>\$ 1,865,964</u>	<u>\$ 9,828,316</u>

Note 6 - Lease receivable

The City leases out its buildings and land. Most leases have initial terms of up to 20 years, and contain one or more renewals at the City's option, generally for three or five year periods. The City has generally included these renewal periods in the lease term when it is reasonably certain that the City will exercise the renewal option. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The City has several leases with variable payments. For fiscal year 2021, the total of the variable payments was immaterial.

Although the City is exposed to changes in the residual value at the end of the current leases, the City typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investment properties are as follows:

	Business-type Activities:		Business-type Activities:	
	Principal		Interest	
2022	\$	508,188	\$	522,446
2023		368,614		511,813
2024		392,886		501,951
2025		419,391		488,521
2026		412,104		476,058
2027-2031		2,394,942		2,185,388
2032-2036		3,043,226		1,778,391
2037-2041		3,790,598		1,275,458
2042-2046		4,377,688		676,367
2047-2051		2,179,116		106,141
2052-2056		118,100		14,981
2057-2061		41,148		878
Total	\$	18,046,001	\$	8,538,393

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows:

	2021		Total	
	Business-type			
	Activities:			
Lease revenue	\$	942,480	\$	942,480
Interest revenue		536,856		536,856

Note 7 - Interfund Transfers and Receivables

Interfund transfers for the primary government are as follows for the year ended September 30, 2021:

	Transfer In Fund				Totals
	General Fund	Non-Major Governmental Funds	Other Enterprise Funds	Internal Service Funds	
Transfer Out Fund					
General Fund	\$ -	\$ 6,543,349	\$ -	\$ 1,205,469	\$ 7,748,818
Hurricane Ike Fund	-	-	-	64,949	64,949
Non-Major Governmental Funds	67,700	2,608,760	-	-	2,676,460
Combined Utility System Fund	1,997,000	63,240	-	316,653	2,376,893
Airport	40,000	6,630	-	16,666	63,296
Other Enterprise Funds	663,000	55,700	-	83,330	802,030
Internal Service Funds	-	263,000	57,000	126,185	446,185
	<u>\$ 2,767,700</u>	<u>\$ 9,540,679</u>	<u>\$ 57,000</u>	<u>\$ 1,813,252</u>	<u>\$ 14,178,631</u>

The following is a detail of the interfund transfers:

Transfer In Fund	Transfer Out Fund	Purpose
General Fund	Non-Major Governmental Funds	General Admin Charges, Convention Center Surplus & Quartermaster Operations
General Fund	Combined Utility System Fund	General Admin Charges & Payment in lieu of taxes
General Fund	Airport	General Admin Charges
General Fund	Other Enterprise Funds	General Admin Charges & Payment in lieu of taxes
Technology Replacement Fund	General Fund	Budgeted Transfer for Police Records Management System Project
Police Quartermaster Fund	General Fund	Quartermaster Operations
Infrastructure & Debt Service Fund	General Fund	Charter Mandated Transfer (8% of General Fund Budgeted Revenues)
Separation Pay Fund	General Fund	Budgeted Separation Pay
Island Transit Fund	General Fund	Budgeted Transfer for Transit Operations
Health & Life Insurance	General Fund	Budgeted Transfer to establish 90 day reserve
Health & Life Insurance	Combined Utility System Fund	Budgeted Transfer to establish 90 day reserve
Health & Life Insurance	Other Enterprise Funds	Budgeted Transfer to establish 90 day reserve
Health & Life Insurance	Airport	Budgeted Transfer to establish 90 day reserve
Health & Life Insurance	Internal Service Funds	Budgeted Transfer to establish 90 day reserve
Island Transit Fund	Convention Center Surplus Fund	Trolley System
Lasker Pool Fund	IDC Parks Fund	Operational activity
Debt Service Fund	Infrastructure & Debt Service Fund	Debt service payments
Separation Pay Fund	Combined Utility System Fund	Budgeted Separation Pay
Separation Pay Fund	Airport	Budgeted Separation Pay
Separation Pay Fund	Other Enterprise Funds	Budgeted Separation Pay
Technology Improvement Fund	Central Service Fund	Improvement Projects
Central Garage	Hurricane Ike	Emergency Generator purchase
Revenue Producing Parks	Neighborhood Revitalization	To transfer Neighborhood Projects cash to Revenue Producing Parks
IDC-Infrastructure Fund	Neighborhood Revitalization	To transfer Neighborhood Projects cash to IDC-Infrastructure
Sanitation Services	Casualty & Liability Insurance	Improvement Projects

The following is a detail of interfund receivables and payables for the primary government as of September 30, 2021:

	Receivable Funds: Due From							Totals
	General Fund	Hurricane Ike Fund	Non-Major	Combined Utility System Fund	Airport	Other Enterprise Funds	Internal Service Funds	
Payable Funds: Due To								
General Fund	\$ -	\$ 65,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,158
Hurricane Ike Fund	200,338	-	2,680,920	8,912,998	100	443,209	70,909	12,308,474
CDBG Disaster Fund Non-Housing	1,941,632	-	-	3,718,125	-	139,524	-	5,799,281
Non-Major Governmental Funds	734,849	-	502,394	13,812	-	928,528	6,577	2,186,160
Combined Utility System Fund	-	74,423	-	-	-	-	-	74,423
Airport	-	83,518	-	-	-	-	-	83,518
Other Enterprise Funds	8,235	-	2,745	-	-	-	-	10,980
	<u>\$ 2,885,054</u>	<u>\$ 223,099</u>	<u>\$ 3,186,059</u>	<u>\$ 12,644,935</u>	<u>\$ 100</u>	<u>\$ 1,511,261</u>	<u>\$ 77,486</u>	<u>\$ 20,527,994</u>

The following is a detail of interfund receivables and payables:

Receivable Funds: Due From	Payable Funds: Due To	
General Fund	Hurricane Ike	Negative Fund Cash Amounts
	CDBG Disaster Fund Non-Housing	
General Fund	Non-Major Governmental Funds	Negative Fund Cash Amounts
	Other Enterprise Funds	Negative Fund Cash Amounts, Accrue City's portion of sales tax & Accrual for grant reimbursement
General Fund	General Fund	Accrue City's portion of sales tax
Hurricane Ike	Combined Utility System Fund	City's Share of Disaster Recovery Projects
Hurricane Ike	Airport	City's Share of Disaster Recovery Projects
Hurricane Ike		City's Share of Disaster Recovery Projects
Non-Major Governmental Funds	Hurricane Ike	Negative Fund Cash Amounts
Non-Major Governmental Funds	Non-Major Governmental Funds	Negative Fund Cash Amounts, Accrue City's portion of sales tax & HOT tax collections
Non-Major Governmental Funds	Other Enterprise Funds	Accrue City's portion of sales tax
Combined Utility System Fund	Hurricane Ike	Disaster Recovery Projects
	CDBG Disaster Fund Non-Housing	
Combined Utility System Fund	Non-Major Governmental Funds	Negative Fund Cash Amounts
Combined Utility System Fund		Hurricane Harvey Disaster Recovery Projects
Airport	Hurricane Ike	Negative Fund Cash Amounts
Other Enterprise Funds	Hurricane Ike	Negative Fund Cash Amounts
	CDBG Disaster Fund Non-Housing	
Other Enterprise Funds	Non-Major Governmental Funds	Negative Fund Cash Amounts
Other Enterprise Funds	Hurricane Ike	Negative Fund Cash Amounts
Internal Service Funds	Non-Major Governmental Funds	Negative Fund Cash Amounts
Internal Service Funds	Hurricane Ike	Negative Fund Cash Amounts
Internal Service Funds		Hurricane Harvey Disaster Recovery Projects

Note 8 - Capital Assets

The following is a detail of capital asset activity for the year ended September 30, 2021:

	Balance September 30, 2020	Increases	Decreases / Transfers	Balance September 30, 2021
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,363,593	\$ 48,182	\$ -	\$ 21,411,775
Construction in progress	44,924,432	12,150,491	(24,190,340)	32,884,583
Total capital assets not being depreciated	66,288,025	12,198,673	(24,190,340)	54,296,358
Other capital assets:				
Infrastructure	203,956,223	-	11,934,435	215,890,658
Buildings and improvements	76,711,809	-	12,083,820	88,795,629
Licensed vehicles	24,758,859	222,605	(276,060)	24,705,404
Machinery and equipment	21,563,181	199,335	(102,683)	21,659,833
Right-to-use assets - Equipment	-	381,547	-	381,547
Right-to-use assets - Buildings	-	217,366	-	217,366
Improvements other than buildings	11,923,107	-	45,933	11,969,040
Total other capital assets	338,913,179	1,020,853	23,685,445	363,619,477
Less accumulated depreciation for:				
Infrastructure	(103,421,152)	(6,207,264)	-	(109,628,416)
Buildings and improvements	(21,481,166)	(1,945,432)	-	(23,426,598)
Licensed vehicles	(18,108,854)	(1,430,569)	276,060	(19,263,363)
Machinery and equipment	(16,353,253)	(836,878)	102,683	(17,087,448)
Right-to-use assets - Equipment	-	(119,624)	-	(119,624)
Right-to-use assets - Buildings	-	(32,596)	-	(32,596)
Improvements other than buildings	(6,413,946)	(326,229)	-	(6,740,175)
Total accumulated depreciation	(165,778,371)	(10,898,592)	378,743	(176,298,220)
Other capital assets, net	173,134,808	(9,877,739)	24,064,188	187,321,257
Totals	\$ 239,422,833	\$ 2,320,934	\$ (126,152)	\$ 241,617,615
	Balance September 30, 2020	Increases	Decreases / Transfers	Balance September 30, 2021
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,906,705	\$ -	\$ -	\$ 2,906,705
Construction in progress	60,222,737	25,816,928	(15,472,810)	70,566,855
Total capital assets not being depreciated	63,129,442	25,816,928	(15,472,810)	73,473,560
Other capital assets:				
Improvements other than buildings	200,523,691	-	19,502,194	220,025,885
Building and system	175,769,723	-	512,829	176,282,552
Machinery and equipment	16,888,594	186,956	(211,088)	16,864,462
Licensed vehicles	14,678,027	758,092	(44,023)	15,392,096
Contractual water rights	31,822,375	-	(4,416,059)	27,406,316
Total other capital assets	439,682,410	945,048	15,343,853	455,971,311
Less accumulated depreciation for:				
Improvements other than buildings	(80,282,301)	(4,640,886)	-	(84,923,187)
Building and system	(40,055,008)	(4,026,301)	-	(44,081,309)
Machinery and equipment	(11,582,576)	(759,166)	104,090	(12,237,652)
Licensed vehicles	(8,877,318)	(1,140,873)	44,023	(9,974,168)
Contractual water rights	(23,412,570)	(1,097,706)	-	(24,510,276)
Total accumulated depreciation	(164,209,773)	(11,664,932)	148,113	(175,726,592)
Other capital assets, net	275,472,637	(10,719,884)	15,491,966	280,244,719
Totals	\$ 338,602,079	\$ 15,097,044	\$ 19,156	\$ 353,718,279

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

General government	\$ 506,100
Public safety	860,799
Public works	5,295,820
Culture and recreation	2,698,283
Planning and community development	285,113
Transportation system	675,276
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets	-
	<u>577,201</u>
Total Governmental Activities	<u><u>\$ 10,898,592</u></u>
Combined utility system	\$ 9,172,347
Sanitation	600,403
Drainage	744,399
Airport	1,147,783
Total Business-Type Activities	<u><u>\$ 11,664,932</u></u>

Construction in progress and remaining commitment, as of September 30, 2021 are as follows:

Project Description	Project Authorization	Project Cost to Date	Remaining Commitment
Governmental Activities:			
Various street milling and overlay projects	\$ 46,316,957	\$ 8,863,977	\$ 37,452,980
Little League and Sandhill Soccer Complexes	5,125,000	48,903	5,076,097
27th Corridor master plan	6,354,333	5,304,470	1,049,863
Rail Trolley rehabilitation and rail cars	7,624,080	6,632,627	991,453
29th Street/Ave O to Ave R 1/11 extension of storm sewer main	5,147,500	196,982	4,950,518
25th Street/Broadway to Seawall reconstruction	7,069,380	3,803,805	3,265,575
Harborside Drive design	2,644,110	2,518,198	125,912
City Hall remodel & screen wall/plaza	4,440,689	2,246,320	2,194,369
Parks & Recreation	3,397,686	1,050,023	2,347,663
Various Island Transit projects	1,986,929	1,301,336	685,593
Various other projects	3,597,318	917,942	2,679,376
Total Governmental Activities	<u><u>\$ 93,703,982</u></u>	<u><u>\$ 32,884,583</u></u>	<u><u>\$ 60,819,399</u></u>
Business-type Activities:			
Combined Utility System Fund Projects			
Various waterline repairs & replacements	\$ 34,378,408	\$ 18,507,038	\$ 15,871,370
Inflow & infiltration line repairs	1,505,811	975,714	530,097
30" Causeway waterline	10,231,500	709,288	9,522,212
Pirates Beach & Seawolf Park WWTP recon & expansion	8,531,488	1,013,818	7,517,670
Lift station pump & electrical repairs	8,144,000	503,113	7,640,887
Airport pump station tank upgrade and new ground storage tanks	12,267,841	8,876,951	3,390,890
Airport wastewater treatment plant refurbishment	7,906,104	7,866,725	39,379
Various street utility improvements	3,063,446	1,310,771	1,752,675
Various other Combined Utility System projects	23,569,799	21,315,984	2,253,815
Sanitation Fund Projects			
Various Sanitation projects	552,639	124,970	427,669
Drainage Fund Projects			
Storm drain rehabilitation	15,480,493	5,837,651	9,642,842
Storm water management	840,678	830,897	9,781
Various other Drainage projects	2,512,574	2,270,658	241,916
Airport Fund Projects			
Various Airport projects	1,159,444	423,277	736,167
Total Business-type Activities	<u><u>\$ 130,144,225</u></u>	<u><u>\$ 70,566,855</u></u>	<u><u>\$ 59,577,370</u></u>

Note 9 - Long-Term Debt

A. Governmental Activities

Long-term liability activity for the year ended September 30, 2021, is as follows:

	Balance September 30, 2020	Increases	(Decreases)	Balance September 30, 2021	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 56,866,599	\$ -	\$ (2,645,100)	\$ 54,221,499	\$ 2,848,200
Special obligation bonds	20,580,000	-	(1,110,000)	19,470,000	1,185,000
Unamortized premiums and discounts	9,506,142	-	(613,015)	8,893,127	-
	<u>86,952,741</u>	-	<u>(4,368,115)</u>	82,584,626	4,033,200
Other liabilities:					
Lease payable	-	598,914	(146,314)	452,600	150,555
Notes payable	263,708	-	(129,148)	134,560	134,560
Claims payable - workers compensation	724,587	406,436	(489,032)	641,991	283,317
Claims payable - health insurance	960,640	9,763,797	(9,894,688)	829,749	829,749
Compensated absences	12,116,845	4,493,164	(4,458,742)	12,151,267	3,921,102
Total Governmental Activities	<u>\$ 101,018,521</u>	<u>\$ 15,262,311</u>	<u>\$ (19,486,039)</u>	<u>\$ 96,794,793</u>	<u>\$ 9,352,483</u>

Long-term debt due in more than one year \$ 87,442,310

Compensated absences are liquidated by the funds based on the department personnel to whom the claims relate. Health claims and workers' compensation claims are liquidated by the Health Insurance Internal Service Fund and the Workers' Compensation Internal Service Fund which are reported as a governmental activity.

The City sponsors three (3) single-employer defined benefit pension plans: the Employees Retirement Plan for Police, the Retirement Plan for City Employees and the Firefighters' Pension Plan (see Note 15).

The City also has a Texas Tax and Revenue Emergency Anticipation Note, Series 2016-E in the amount of \$50 million for the purpose of providing funds to pay for any contractual obligation incurred or to be incurred as a result of or to address the effect of a statewide and/or national emergency. The City has not drawn down any funds from this note as of September 30, 2021.

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	\$ 1,200,000
Series 2014 Obligation Refunding Bonds *	3,717,000	2023	2.0 to 4.0	1,959,999
Series 2016 Obligation Refunding Bonds *	2,460,831	2033	2.0 to 5.0	2,101,500
Series 2017 Public Improvement Bonds	22,600,000	2046	2.0 to 4.0	18,925,000
Series 2019 Public Improvement Bonds	31,205,000	2039	3.0 to 5.0	30,035,000
Total General Obligation Bonds				<u>\$ 54,221,499</u>
Special Obligation Bonds				
Series 2012A Hotel Occupancy Tax Refunding Bonds	\$ 14,350,000	2034	3.0 to 5.0	\$ 10,445,000
Series 2012B Hotel Occupancy Tax Refunding Bonds	13,215,000	2032	3.0 to 5.0	9,025,000
Total Special Obligation Bonds				<u>\$ 19,470,000</u>
Lease Payable				
Lease Payable	\$ 598,913	2031	3.0	\$ 452,600
Total Lease Payable				<u>\$ 452,600</u>
Note Payable **				
2007 Note Payable	\$ 1,531,488	2022	3.5-4.0	\$ 134,560
Total Note Payable				<u>\$ 134,560</u>

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

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

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

Year Ending Sept. 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	2,848,200	2,423,888	1,185,000	700,613
2023	3,075,399	2,299,078	1,270,000	641,363
2024	2,512,600	2,164,608	1,350,000	592,588
2025	2,623,900	2,048,428	1,425,000	538,188
2026	2,747,000	1,927,033	1,500,000	494,506
2027-2031	15,325,100	7,469,328	8,700,000	1,686,363
2032-2036	17,199,300	3,703,870	4,040,000	265,900
2037-2039	7,890,000	573,800	-	-
	<u>\$ 54,221,499</u>	<u>\$ 22,610,033</u>	<u>\$ 19,470,000</u>	<u>\$ 4,919,521</u>
Notes Payable				
Year Ending Sept. 30	Principal	Interest		
2022	134,560	4,200		
	<u>\$ 134,560</u>	<u>\$ 4,200</u>		

Lease payable

This note provides information for leases where the City is a lessee. For leases where the City is a lessor, see note 6.

The City is obligated under leases covering certain machinery and IT equipment that expire at various dates during the next six years. The City has entered into various lease agreements as lessee primarily for offices space and office equipment. Most leases have initial terms of up to ten years, and contain one or more renewal at our option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The future principal and interest lease payments as of September 30, 2021, were as follows:

Fiscal year	Governmental Activities:	Governmental Activities:
	Principal	Interest
2022	\$ 150,555	\$ 11,257
2023	155,072	6,740
2024	48,623	3,462
2025	39,842	2,267
2026	34,792	1,172
2027-2031	23,715	205
Total	\$ 452,600	\$ 25,103

Business-Type Activities

Long-term liability activity for the year ended September 30, 2021 is as follows:

	Balance September 30, 2020	Increases	(Decreases)	Balance September 30, 2021	Amounts Due Within One Year
Bonds payable:					
Contracts (Gulf Coast Water Authority)	\$ 5,698,438	\$ -	\$ (3,033,283)	\$ 2,665,155	\$ 2,665,155
Revenue bonds	16,760,000	-	(16,760,000)	-	-
General obligation bonds	10,483,400	13,545,001	(774,900)	23,253,501	2,681,800
Certificates of obligation	63,825,000	-	(1,265,000)	62,560,000	1,295,000
Unamortized premiums and discounts	8,012,653	2	(2,514,035)	5,498,620	-
	<u>104,779,491</u>	<u>13,545,003</u>	<u>(24,347,218)</u>	<u>93,977,276</u>	<u>6,641,955</u>
Other liabilities:					
Compensated absences	1,698,983	836,317	(943,788)	1,591,512	843,720
Total Business-type Activities	\$ 106,478,474	\$ 14,381,320	\$ (25,291,006)	\$ 95,568,788	\$ 7,485,675

Long-term debt due in more than one year \$ 88,083,113

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	\$ 2,326,155
Series 2012 GCWA Contract Refunding Revenue Bonds	7,645,000	2022	2.3	339,000
Total Contracts (Gulf Coast Water Authority)				\$ 2,665,155
General Obligation Bonds				
Series 2014 Obligation Refunding Bonds *	2,183,000	2023	2.0 to 4.0	\$ 135,001
Series 2016 Obligation Refunding Bonds *	14,904,169	2033	2.0 to 5.0	9,573,500
Series 2021 Obligation Refunding Bonds	13,642,054	2030	.27 to 1.8	13,545,000
Total General Obligation Bonds				\$ 23,253,501
Certificates of Obligation				
Series 2017 Combination Tax and Revenue Bonds	33,330,000	2046	2.0 to 5.0	\$ 30,635,000
Series 2019 Combination Tax and Revenue Bonds	32,750,000	2049	2.0 to 5.0	31,925,000
Total Certificates of Obligation				\$ 62,560,000

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

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

Year Ending Sept. 30	Business-Type Activities			
	Revenue Bonds		Contracts	
	Principal	Interest	Principal	Interest
2022	-	-	2,665,155	135,263
	\$ -	\$ -	\$ 2,665,155	\$ 135,263
Year Ending Sept. 30	Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	1,295,000	2,752,650	2,681,800	564,321
2023	1,330,000	2,714,950	2,714,601	538,168
2024	1,385,000	2,661,750	2,107,400	498,511
2025	1,440,000	2,606,350	2,006,100	450,601
2026	1,500,000	2,548,750	2,063,000	403,801
2027-2031	8,585,000	11,650,800	9,724,900	1,159,844
2032-2036	10,890,000	9,341,850	1,955,700	118,080
2037-2041	13,625,000	6,608,650	-	-
2042-2046	16,925,000	3,297,550	-	-
2047-2049	5,585,000	452,600	-	-
	\$ 62,560,000	\$ 44,635,900	\$ 23,253,501	\$ 3,733,326

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

Description	Principal	Interest	Totals
Certificates of Obligation	\$ 1,295,000	\$ 2,752,650	\$ 4,047,650
General Obligation	2,681,800	564,321	3,246,121
Contracts	2,665,155	135,263	2,800,418
Total annual debt service	<u>\$ 6,641,955</u>	<u>\$ 3,452,234</u>	<u>\$ 10,094,189</u>
Operating revenues			\$ 37,331,662
Operating expenses			34,938,814
Net operating income			2,392,848
Add:			
Depreciation			9,172,347
Total net revenues			<u>\$ 11,565,195</u>
 Debt service coverage			 1.15

Current Year Issuance of Debt – Business-Type Activities

On May 27, 2021, the City issued General Obligation Refunding Bonds, Series 2021 in the amount of \$13,545,000 at interest rates ranging from .27%-1.83%. The bonds were issued at a discount totaling \$66,252 generating \$14.9 million to refund certain obligations of the City. The proceeds of the bonds were also used to pay costs incurred in connection with the issuance of the Certificates. The City recognized a gain on refunding of \$116,465 in FY 2021.

Defeased Debt

As a result of refunding transactions in the current and prior years, the City defeased certain outstanding bonds issued by placing the proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. The total amount of governmental and business-type defeased bonds outstanding as of September 30, 2021 is \$27,065,000.

Long-Term Contracts - Waterworks System

On June 1, 2011, the City entered into a contract with GCWA whereby GCWA issued \$17,730,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2011A with the City's percentage share of 98.15% and the City of League City's share being the remainder 1.85%. This will repay its outstanding Series 1998B and also pay the cost of issuance of the bonds. These Bonds allowed Galveston to receive treated water from the Texas City plant upon completion of its expansion. The notes mature in 2022 and will be repaid with pledged revenues from the City's waterworks system.

On October 30, 2013, the City entered into a contract with GCWA whereby GCWA issued \$7,645,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2012. This will repay its outstanding Series 2002 and also pay the cost of issuance of the bonds. These Bonds were used to build and improve facilities for potable water transportation to and within the City. The notes mature in 2022 and will be repaid with pledged revenues from the City's waterworks system.

The pledged revenues are 1.6 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, 2021 is as follows:

	Balance September 30, 2020	Increases	(Decreases)	Balance September 30, 2021	Amounts Due Within One Year
Bayside at Waterman’s PID					
Special assessment revenue bonds	\$ 8,975,000	\$ -	\$ (175,000)	\$ 8,800,000	\$ 200,000
	<u>\$ 8,975,000</u>	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ 8,800,000</u>	<u>\$ 200,000</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	\$ 8,800,000
Total Bayside at Waterman’s PID Bonds				<u>\$ 8,800,000</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
	2022	200,000
2023	200,000	515,125
2024	225,000	503,875
2025	225,000	491,219
2026	225,000	478,563
2027-2031	1,425,000	2,175,875
2032-2036	1,450,000	1,701,875
2037-2041	2,950,000	1,062,469
2042-2044	1,900,000	237,344
	<u>\$ 8,800,000</u>	<u>\$ 7,692,720</u>

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

Note 10 - Fund Equity

Deficit fund balance reported by this fund below is the result of timing difference between the funding agency and local grantee qualifying outlays. Deficit in this fund is considered temporary and expected to be relieved during the next fiscal year.

	<u>Deficit Balance</u>
Non-Major Governmental Funds:	
Special Revenue funds:	
HUD Entitlement Grants	\$ (244)

Net deficit reported by the Workers’ Compensation Fund above reflects the inclusion \$0.7 million of total estimated workers’ compensation claims payable. Net deficit reported by the Health Insurance Fund reflects the inclusion \$14.7 million of total OPEB liability. The City is reviewing options to fund the liability. See Note 14 for additional information on the total OPEB liability.

Internal Service Funds:	
Workers’ Compensation Fund	\$ (447,844)
Health and Life Insurance Fund	\$ (9,110,236)

Note 11 - Commitments and Contingencies

Grants

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

Environmental Liability

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

Note 12 - 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 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, 2021, 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>
2020	\$ 506,285	\$ 427,372	\$ (209,070)	\$ 724,587
2021	724,587	406,436	(489,032)	641,991

Employee Health Insurance

Effective November 1, 2001, the City established a limited Risk Management Program for Health Insurance by setting up an Internal Service Fund to account for its insured and self-insured risk of loss. The Health and Life Insurance Fund is principally supported by contributions from the City and its employees. The City makes contributions to cover the employees, and the employees are required to make contributions to cover their dependents. The Health and Life Insurance Fund charges the various operating funds premiums for the City’s contribution. The City has obtained specific stop loss insurance through Blue Cross Blue Shield of Texas (“BCBSTX”), which limits the City’s claims paid to \$200,000 per individual. BCBSTX also provides aggregate stop loss coverage for the plan, which limits claims paid to \$1,220.73 per employee per month.

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:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Current Year Payments	End of Year Accrual
2020	\$ 993,540	\$ 8,171,117	\$ (8,204,017)	\$ 960,640
2021	960,640	9,763,797	(9,894,688)	829,749

Note 13 - 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 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 \$0.50006 per 1000 gallons. Water actually consumed is supplied to the City at the rate of \$0.72301 per 1000 gallons pumped. GCWA also makes improvements to the plant and its distribution system with bond proceeds, and the City pays its proportional share of this debt service to GCWA (see Note 9). In FY 2021, the City paid GCWA \$10.9 million for debt service, water rights and water consumption.

Note 14 - Post-Employment Benefits Other Than Pensions

Plan Description

The City defined benefit OPEB plan provides certain post-employment retirement benefits for its qualifying employees and spouses/dependents through a single-employer defined benefit health care plan administered

by the City. No assets are accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

Benefits Provided

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

Employees covered by OPEB plan as of December 31, 2020 were as follows:

Inactive plan members or beneficiaries currently receiving benefits	27
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>820</u>
Total plan members	<u><u>847</u></u>

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2020 and determined by an actuarial valuation as of that date in accordance with GASB Statement No. 75. Total OPEB liability is generally liquidated by the General Fund and the Health and Life Insurance Fund.

Changes in Total OPEB Liability

Changes in the City’s OPEB liability presented below are calculated for the year ended December 31, 2020 (measurement year):

Total OPEB Liability	
Service cost	\$ 882,874
Interest on the total OPEB Liability	305,947
Difference between expected and actual experience actual experience	(963,672)
Changes of assumption	3,408,122
Benefit payments	<u>(347,617)</u>
Net change in total OPEB liability	3,285,654
Total OPEB liability - beginning	11,379,952
Total OPEB liability - ending	<u>\$ 14,665,606</u>
 Covered employee payroll	 \$ 42,418,424
 Total OPEB liability as a percentage of covered employee payroll	 34.57%

Changes of assumption reflects a change in discount rate from 2.75% in 2019 to 1.93% in 2020

OPEB Expense

For the year ended September 30, 2021, the City recognized total OPEB expense of \$1,509,679

Service cost	\$ 882,874
Interest on the total OPEB Liability	305,947
Recognition of current year inflow due to liabilities	-
Amortization of prior year inflow due to liabilities	320,858
Total OPEB expense	<u>\$ 1,509,679</u>

Deferred Outflows of Resources

At September 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,745	\$ (2,175,514)
Changes of assumptions	5,152,598	-
Contributions subsequent to the measurement date	211,789	-
	\$ 5,395,132	\$ (2,175,514)

The \$211,789 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recongized in OPEB expense as follows:

Year ended September 30:		
2022	\$	320,858
2023		320,858
2024		320,858
2025		320,858
2026		320,858
thereafter		1,403,539
	\$	3,007,829

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 \$14,665,606 at December 31, 2020. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered employee payroll is 34.57%.

Actuarial Methods and Assumptions

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

Discount Rate

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

Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation Rate	1.75% per annum
Discount Rate	1.93% as of Dec 31, 2020
Actuarial Cost Method	Entry-Age Normal
Amortization Method	Straight line amortization
Amortization Period	Expected remaining service of all employees eligible for or currently receiving OPEB through the OPEB plan
Payroll Growth	2.75% - 6.35% for General Employees 4.00% - 7.00% for Police 3.00% - 9.18% for Firefighters
Health Care Costs Trend Rates	Initial medical trend rate of 7.71% for retirees declining to an ultimate rate of 4.15% in the year 2077

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.93% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rates used:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB liability	\$ 16,248,721	\$ 14,665,607	\$ 13,276,009

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

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

	1% Decrease (3.25%) increasing to 6.71)	Healthcare Cost Trend Rates (4.25%) increasing to 7.71%)	1% Increase (6.25%) increasing to 8.71%)
Total OPEB liability	\$ 12,596,301	\$ 14,665,606	\$ 17,185,692

Note 15 - 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, 2020. 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 retirement benefits for non-civil service employees, service-connected disability and death benefits to eligible members and surviving spouses and/or dependents. The normal retirement benefit under the Plan equals 2.25% of Average Monthly Compensation multiplied by a Participant's years of benefit service. The maximum normal retirement benefit is \$5,000 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. The City of Galveston Employees' Pension Plan audit reports can be found at <https://www.galvestontx.gov/819/Financial-Transparency>.

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. The City of Galveston Police's Pension Plan audit reports can be found at <https://www.galvestontx.gov/819/Financial-Transparency>.

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

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

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

Galveston Firefighters' Pension Fund ("GFPF") provides retirement and incidental benefits for all civil service members of the City of Galveston, Texas Fire Department under the age of 35 at the date of entering service. The Galveston Firefighters' Pension Plan audit reports can be found at www.galvestonfirepension.com.

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, 2021 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	367	88	143
Terminated employees entitled to but not receiving benefits	65	-	37
Terminated employees entitled to only a refund of contributions	180	-	-
Disabled	-	-	1
Active Employees	516	116	156
Total Participants	<u>1,128</u>	<u>204</u>	<u>337</u>

Contributions

Contribution rates for the City and employees for the fiscal year ended September 30, 2021 were as follows:

	<u>Employees Pension Plan</u>	<u>Fire Fighters Pension Plan</u>	<u>Police Pension Plan</u>
Participant contribution	6.00%	18.00%	12.00%
City contribution	9.00%	17.00%	18.00%

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

Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, 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	\$ 74,747,691	\$ 76,462,275	\$ 60,101,767
Fiduciary Net Position	63,044,222	53,548,437	22,771,571
Net Pension Liability	<u>\$ 11,703,469</u>	<u>\$ 22,913,838</u>	<u>\$ 37,330,196</u>
Fiduciary net position as a percentage of total pension liability	84.34%	70.03%	37.89%

Net Pension Liability is generally liquidated by the General Fund, Pension Reform Fund, Proprietary Funds and the pension fund's investments.

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

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

Changes in Net Pension Liability

Changes in the City's net pension liability presented below are calculated on the same basis as each of the plans for the year ended December 31, 2020 (measurement year):

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
	<u>2020</u>	<u>2020</u>	<u>2020</u>
Total pension liability:			
Service cost	\$ 2,399,935	\$ 1,616,312	\$ 1,649,898
Interest	5,238,969	5,483,730	4,111,885
Effect of plan changes	1,404,762	-	-
Difference between expected and actual experience	(396,841)	-	(540,297)
Change in assumptions	-	-	(188,703)
Benefit payments, including refunds of employee contributions	(4,712,170)	(4,275,722)	(4,044,672)
Net change in total pension liability	3,934,655	2,824,320	988,111
Total pension liability - beginning	70,813,036	73,637,955	59,113,656
Total pension liability - ending (a)	<u>\$ 74,747,691</u>	<u>\$ 76,462,275</u>	<u>\$ 60,101,767</u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,486,763	\$ 1,471,714	\$ 2,443,661
Contributions - employee	1,658,767	1,558,302	1,588,346
Net investment income	6,247,770	5,875,872	972,658
Benefit payments, including refunds of employee contributions	(4,712,170)	(4,275,722)	(4,044,672)
Administrative expense	(134,810)	(112,582)	(141,233)
Net change in plan fiduciary net position	5,546,320	4,517,584	818,760
Plan fiduciary net position - beginning	57,497,902	49,030,853	21,952,811
Plan fiduciary net position - ending (b)	<u>\$ 63,044,222</u>	<u>\$ 53,548,437</u>	<u>\$ 22,771,571</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,703,469</u>	<u>\$ 22,913,838</u>	<u>\$ 37,330,196</u>

Pension Expense

For the year ended September 30, 2021, the City recognized total pension expense by plan is as follows:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan	Total
Service Cost	\$ 2,399,935	\$ 1,616,312	\$ 1,649,898	\$ 5,666,145
Interest on total pension liability	5,238,969	5,483,730	4,111,885	14,834,584
Effect of plan changes	1,404,762	-	-	1,404,762
Administrative expenses	134,810	112,582	141,233	388,625
Member contributions	(1,658,767)	(1,558,302)	(1,588,346)	(4,805,415)
Expected investment return net of investment expenses	(4,143,171)	(3,626,378)	(1,488,546)	(9,258,095)
Recognition of economic/demographic gains or losses	(357,204)	(26,708)	(330,549)	(714,461)
Recognition of assumption changes or inputs	648,681	314,003	1,090,905	2,053,589
Differences between projected and actual earnings on plan investments	(1,092,281)	(666,714)	31,176	(1,727,819)
Pension Expense	<u>\$ 2,575,734</u>	<u>\$ 1,648,525</u>	<u>\$ 3,617,656</u>	<u>\$ 7,841,915</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, 2021 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	\$ 172,708	\$ (683,552)	\$ 392,822	\$ (339,730)	\$ 150,361	\$ (1,100,528)	\$ 715,891	\$ (2,123,810)
Changes of assumptions	829,248		2,726,507	(429,746)	3,325,886	(214,632)	6,881,641	(644,378)
Difference between projected and actual earnings		(3,619,571)		(2,813,536)	73,763	-	73,763	(6,433,107)
Employers contribution subsequent to measurement date	1,971,341		1,183,730	-	1,874,010	-	5,029,081	-
	<u>\$ 2,973,297</u>	<u>\$ (4,303,123)</u>	<u>\$ 4,303,059</u>	<u>\$ (3,583,012)</u>	<u>\$ 5,424,020</u>	<u>\$ (1,315,160)</u>	<u>\$ 12,700,376</u>	<u>\$ (9,201,295)</u>

The \$5,029,081 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement date	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan	Total
2021	(812,448)	\$ (557,832)	\$ 1,116,580	\$ (253,700)
2022	(275,907)	123,808	1,209,634	1,057,535
2023	(1,699,556)	(1,067,728)	(9,735)	(2,777,019)
2024	(501,696)	38,267	(81,629)	(545,058)
2025	(11,560)	498,807	-	487,247
thereafter	-	500,995	-	500,995
	<u>\$ (3,301,167)</u>	<u>\$ (463,683)</u>	<u>\$ 2,234,850</u>	<u>\$ (1,530,000)</u>

Actuarial Assumptions and Other Data

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Employees Pension Plan	Fire Fighters Pension Plan	Police Pension Plan
Inflation	2.75% per annum	2.85% per annum	3.50% per annum
Investment rate of return	7.25%, net of pension plan investment expenses	7.50%, net of pension plan investment expenses	7.00% per annum, net of pension plan investment expenses
Salary increases	2.75%, plus promotion, step and longevity increases that vary by service	2.85%, plus promotion, step and longevity increases that vary by service	3.00% grading down to 0% per annum for longevity and promotion based on years of service.
Mortality rates	PubG-2010 below-median income mortality tables for employees and retirees, projected for mortality improvement generationally using the projection scale MP-2018	PubS-2010 (public safety) total dataset mortality tables for employees and retirees, projected for mortality improvement generationally using the projection scale MP-2019.	Society of Actuaries (SOA) Public Safety mortality tables projected generationally with Scale MP-2020

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, 2020 which is 7.25% for the Employees Pension Plan, 7.50% for the Firefighters Pension Plan and 7.00% for the Police Pension Plan. The discount rate is an assumption that generally is not required to be updated between actuarial valuations dates.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employees Pension Plan	\$ 20,285,343	\$ 11,703,469	\$ 4,472,532
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Fire Fighters Pension Plan	\$ 31,932,829	\$ 22,913,838	\$ 15,161,026
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Police Pension Plan	\$ 45,616,929	\$ 37,330,196	\$ 31,963,364

Note 16 - Prior Period Adjustments

During the fiscal year, the City implemented GASB 84 - Fiduciary Activities which resulted in a prior period adjustment to re-state the net position of custodial funds. The following was the impact of the prior period adjustment:

	<u>Statement of Changes in Net Position Cusodial Fund</u>
Net position at September 30, 2020, as previously reported	\$ -
Restatement due to reclassification of amounts due to individuals and organizations to net position	721,519
Net position at September 30, 2020, as restated	<u>\$ 721,519</u>

Note 17 - Litigation/Contingency

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its activities, some 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. Some cases in federal court for deprivation of civil rights do not have similar limitations.

Typically, the City is covered for claims under a policy through the Texas Municipal League Risk Pool. 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 Risk Pool funds or the General Fund to liquidate claims and judgments; however, the City is authorized under Texas law to issue judgment bonds to pay final judgments against the City under appropriate circumstances.

Note 18 - Subsequent Events

On June 1, 2011, the City entered into a contract with GCWA whereby GCWA issued \$17,730,000 of Gulf Coast Water Authority Contract Revenue Refunding Bonds, Series 2011A with the City's percentage share of 98.15% and the City of League City's share being the remainder 1.85%. These Bonds allowed Galveston to receive treated water from the Texas City plant upon completion of its expansion.

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. These Bonds were used to build and improve facilities for potable water transportation to and within the City.

The Gulf Coast Water Authority will pay off both of these Refunding Bonds in full in August 2022 using revenue bond cash reserves to pay off the City's debt owed to Gulf Coast Water Authority. Pledged revenues from the City's waterworks system totaled \$218,583 in fiscal year 2022.

The full extent of the ongoing impact of COVID-19 on the City's 2020-2021 fiscal year and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

Required Supplementary Information

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2021 Annual Comprehensive Financial Report



GALVESTON FIRE STATION No. 1



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

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final	Actual	Reconciling Items		
Revenues						
Property taxes	\$ 31,381,600	\$ 31,381,600	\$ 31,650,997	\$ -	\$ 31,650,997	\$ 269,397
Sales tax	16,300,000	16,300,000	18,748,204	-	18,748,204	2,448,204
Mixed beverage tax	920,000	920,000	1,004,855	-	1,004,855	84,855
Franchise and other taxes	5,197,450	5,197,450	5,012,286	-	5,012,286	(185,164)
Licenses and permits	1,242,800	1,242,800	1,847,839	-	1,847,839	605,039
Fines and forfeitures	1,718,700	1,718,700	1,652,475	-	1,652,475	(66,225)
Charges for services	255,188	255,188	320,064	-	320,064	64,876
Investment earnings	75,000	75,000	36,749	-	36,749	(38,251)
Intergovernmental	203,600	203,600	488,121	-	488,121	284,521
Other	892,000	892,000	2,805,558	-	2,805,558	1,913,558
Total Revenues	58,186,338	58,186,338	63,567,148	-	63,567,148	5,380,810
General government						
Legislative	627,638	690,638	689,176	-	689,176	1,462
Judicial	776,693	716,273	712,347	-	712,347	3,926
Executive	716,654	626,654	612,409	-	612,409	14,245
City auditor	285,555	293,555	293,328	-	293,328	227
Finance	1,552,593	1,653,593	1,646,313	-	1,646,313	7,280
Legal	822,731	772,731	772,368	-	772,368	363
Personnel	536,631	514,631	507,673	-	507,673	6,958
Governmental expenditures	5,444,016	1,412,445	1,356,391	-	1,356,391	56,054
Facilities maintenance	1,233,252	1,233,252	1,233,252	-	1,233,252	-
Taxation	320,546	310,546	310,546	-	310,546	-
Total general government	12,316,309	8,224,318	8,133,803	-	8,133,803	90,515
Public safety						
Police	23,526,611	22,894,445	22,804,719	-	22,804,719	89,726
Fire	12,956,380	12,874,380	12,860,364	-	12,860,364	14,016
Emergency management	164,763	186,763	186,763	-	186,763	-
Emergency medical service	730,882	730,882	729,638	-	729,638	1,244
City marshal	896,680	787,569	780,419	-	780,419	7,150
Total public safety	38,275,316	37,474,039	37,361,903	-	37,361,903	112,136
Public works and traffic	4,082,486	3,191,001	3,080,829	62,500 ³	3,143,329	47,672
Culture and recreation	2,767,020	2,955,020	2,934,254	17,127 ³	2,951,381	3,639
Planning and community development	1,496,407	1,552,407	1,544,714	-	1,544,714	7,693
Transportation system	200,000	231,711	-	231,711 ¹	231,711	-
Capital outlay	1,000,000	346,781	426,408	(79,627) ³	346,781	0
Total expenditures	60,137,538	53,975,277	53,481,911	231,711	53,713,622	261,655
Other Financing Sources (Uses)						
Transfers in	2,754,700	2,754,700	2,767,700	-	2,767,700	13,000
Transfers out	(833,500)	(7,517,107)	(7,748,818)	231,711 ¹	(7,517,107) ²	-
Sale of capital assets	30,000	30,000	88,879	-	88,879	58,879
Total Other Financing Sources (Uses)	1,951,200	(4,732,407)	(4,892,239)	231,711	(4,660,528)	71,879
Net change in fund balance	-	(521,346)	5,192,998	-	5,192,998	5,714,344
Fund balance - beginning	16,350,730	14,907,625	16,752,561	-	16,752,561	1,844,936
Fund balance - ending	\$ 16,350,730	\$ 14,386,279	\$ 21,945,559	\$ -	\$ 21,945,559	\$ 7,559,280

1) Amounts budgeted in the General Fund designated for Island Transit operating overruns and Island Transit transfer to the Health Insurance Fund.

2) This includes transfers totaling \$750,000 to the Separation Pay Fund and the charter mandated 8% of General Fund Budgeted Revenues transfer to the Infrastructure & Debt Service Fund in the amount of \$4,877,683.

3) These represent reclasses for budget presentation purposes only.

**GENERAL OBLIGATION BONDS 2019 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final	Actual	Reconciling Items		
Revenues						
Investment earnings	\$ -	\$ -	\$ 21,933	\$ -	\$ 21,933	\$ 21,933
Total Revenues	<u>-</u>	<u>-</u>	<u>21,933</u>	<u>-</u>	<u>21,933</u>	<u>21,933</u>
Capital outlay	21,165,026	21,165,026	8,604,528	-	8,604,528	12,560,498
Total expenditures	<u>21,165,026</u>	<u>21,165,026</u>	<u>8,604,528</u>	<u>-</u>	<u>8,604,528</u>	<u>12,560,498</u>
Net change in fund balance	(21,165,026)	(21,165,026)	(8,582,595)	-	(8,582,595)	12,582,431
Fund balance - beginning	<u>37,327,805</u>	<u>37,327,805</u>	<u>37,327,805</u>	<u>-</u>	<u>37,327,805</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,162,779</u>	<u>\$ 16,162,779</u>	<u>\$ 28,745,210</u>	<u>\$ -</u>	<u>\$ 28,745,210</u>	<u>\$ 12,582,431</u>

**AMERICAN RESCUE PLAN ACT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final	Actual	Reconciling Items		
Revenues						
Intergovernmental	\$ -	\$ 13,685,811	\$ 375,866	\$ 13,309,944 ¹	\$ 13,685,811	\$ -
Total Revenues	-	13,685,811	375,866	13,309,944	13,685,811	-
Capital outlay	-	375,866	375,866	-	375,866	-
Total expenditures	-	375,866	375,866	-	375,866	-
Net change in fund balance	-	13,309,945	-			-
Fund balance - beginning	-	-	-	-	-	-
Fund balance - ending	\$ -	\$ 13,309,945	\$ -	\$ 13,309,944	\$ 13,685,811	\$ -

1) Amounts budgeted in the American Rescue Plan Act Fund includes deferred revenues of \$13,309,944

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

*Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Seven Measurement Years
Employees' Retirement Plan for City Employees*

	<u>2020</u>	<u>2019</u>
Total pension liability:		
Service cost	\$ 2,399,935	\$ 2,315,618
Interest	5,238,969	4,953,301
Effect of plan changes	1,404,762	-
Difference between expected and actual experience	(396,841)	(120,010)
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	(4,712,170)	(4,683,296)
Net change in total pension liability	3,934,655	2,465,613
Total pension liability - beginning	70,813,036	68,347,423
Total pension liability - ending (a)	<u>\$ 74,747,691</u>	<u>\$ 70,813,036</u>
Plan fiduciary net position:		
Contributions - employer	\$ 2,486,763	\$ 2,424,690
Contributions - employee	1,658,767	1,616,461
Net investment income	6,247,770	9,791,491
Benefit payments, including refunds of employee contributions	(4,712,170)	(4,683,296)
Administrative expense	(134,810)	(165,773)
Net change in plan fiduciary net position	5,546,320	8,983,573
Plan fiduciary net position - beginning	57,497,902	48,514,329
Plan fiduciary net position - ending (b)	<u>\$ 63,044,222</u>	<u>\$ 57,497,902</u>
Net pension liability - ending (a) - (b)	<u>11,703,469</u>	<u>13,315,134</u>
Plan fiduciary net position as a percentage of total pension liability	84.34%	81.20%
Covered payroll	\$ 27,646,117	\$ 26,741,018
Net pension liability as a percentage of covered payroll	42.33%	49.79%
Annual money-weighted rate of return, net of investment expense	10.93%	20.35%

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.

The methods and assumptions disclosed on page 103 were used to determine the contribution rates for the year ended December 31, 2020. These methods and assumptions were not retroactively used for Calendar years 2014-2019 shown above.

Employees' Retirement Plan for City Employees - Calendar Year				
2018	2017	2016	2015	2014
\$ 2,157,580	\$ 1,982,697	\$ 1,782,456	\$ 2,036,695	\$ 2,184,793
4,640,796	4,423,875	4,388,324	4,465,817	4,291,727
735,115	-	-	-	-
(365,588)	636,348	(1,388,765)	(932,848)	-
1,531,884	33,335	1,539,868	1,385,114	-
(4,411,522)	(4,106,737)	(3,921,559)	(4,102,964)	(3,820,447)
4,288,265	2,969,518	2,400,324	2,851,814	2,656,073
64,059,158	61,089,640	58,689,316	55,837,502	55,181,429
<u>\$ 68,347,423</u>	<u>\$ 64,059,158</u>	<u>\$ 61,089,640</u>	<u>\$ 58,689,316</u>	<u>\$ 55,837,502</u>
\$ 2,367,759	\$ 2,274,927	\$ 2,059,527	\$ 1,968,772	\$ 1,836,025
1,578,505	1,518,519	1,371,184	1,315,516	1,224,018
(2,431,839)	6,356,393	3,333,830	(856,751)	1,803,409
(4,411,523)	(4,106,737)	(3,921,559)	(4,102,964)	(3,820,447)
(138,864)	(133,005)	(145,136)	(127,457)	(123,414)
(3,035,962)	5,910,097	2,697,846	(1,802,884)	919,591
51,550,291	45,640,194	42,942,348	44,745,232	43,825,641
<u>\$ 48,514,329</u>	<u>\$ 51,550,291</u>	<u>\$ 45,640,194</u>	<u>\$ 42,942,348</u>	<u>\$ 44,745,232</u>
<u>19,833,094</u>	<u>12,508,867</u>	<u>15,449,446</u>	<u>15,746,968</u>	<u>11,092,270</u>
70.98%	80.47%	74.71%	73.17%	80.13%
\$ 26,061,778	\$ 25,308,650	\$ 22,853,067	\$ 21,925,267	\$ 20,400,300
76.10%	49.43%	67.60%	71.82%	54.37%
-4.75%	14.00%	7.82%	-1.94%	4.16%

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

*Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Seven Measurement Years
Galveston Firefighters' Pension Fund*

	<u>2020</u>	<u>2019</u>
Total pension liability:		
Service cost	\$ 1,616,312	\$ 1,415,927
Interest	5,483,730	5,156,123
Effect of plan changes	-	-
Difference between expected and actual experience	-	374,319
Change in assumptions	-	3,564,858
Benefit payments, including refunds of employee contributions	(4,275,722)	(3,975,925)
Net change in total pension liability	<u>2,824,320</u>	<u>6,535,302</u>
Total pension liability - beginning	73,637,955	67,102,653
Total pension liability - ending (a)	<u>\$ 76,462,275</u>	<u>\$ 73,637,955</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,471,714	\$ 1,401,579
Contributions - employee	1,558,302	1,484,025
Net investment income	5,875,872	7,770,870
Benefit payments, including refunds of employee contributions	(4,275,722)	(3,975,925)
Administrative expense	(112,582)	(138,000)
Net change in plan fiduciary net position	<u>4,517,584</u>	<u>6,542,549</u>
Plan fiduciary net position - beginning	49,030,853	42,488,304
Plan fiduciary net position - ending (b)	<u>\$ 53,548,437</u>	<u>\$ 49,030,853</u>
Net pension liability - ending (a) - (b)	<u>22,913,838</u>	<u>24,607,102</u>
Plan fiduciary net position as a percentage of total pension liability	70.03%	66.58%
Covered payroll	\$ 8,657,233	\$ 8,244,583
Net pension liability as a percentage of covered payroll	264.68%	298.46%
Annual money-weighted rate of return, net of investment expense	12.15%	18.56%

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.

The methods and assumptions disclosed on page 103 were used to determine the contribution rates for the year ended December 31, 2020. These methods and assumptions were not retroactively used for Calendar years 2014-2019 shown above.

Galveston Firefighters' Pension Fund - Calendar Year

2018	2017	2016	2015	2014
\$ 1,374,686	\$ 1,347,728	\$ 1,323,916	\$ 1,271,356	\$ 1,216,609
4,945,665	4,780,763	4,960,114	4,715,969	4,523,782
-	-	(1,279,046)	-	-
-	(297,644)	(502,594)	268,323	-
-	-	(1,141,246)	121,483	-
(3,316,088)	(4,143,975)	(3,254,265)	(3,501,502)	(3,151,223)
3,004,263	1,686,872	106,879	2,875,629	2,589,168
64,098,390	62,411,518	62,304,639	59,429,010	56,839,842
<u>\$ 67,102,653</u>	<u>\$ 64,098,390</u>	<u>\$ 62,411,518</u>	<u>\$ 62,304,639</u>	<u>\$ 59,429,010</u>
\$ 2,369,263	\$ 1,091,996	\$ 1,072,865	\$ 996,543	\$ 986,610
1,413,412	1,247,995	1,226,133	1,138,906	1,127,549
(2,484,721)	6,445,125	2,187,709	(848,619)	1,486,347
(3,316,088)	(4,143,975)	(3,254,265)	(3,501,502)	(3,151,223)
(145,205)	(144,975)	(103,459)	(113,486)	(133,008)
(2,163,339)	4,496,166	1,128,983	(2,328,158)	316,275
44,651,640	40,155,474	39,026,491	41,354,649	41,038,374
<u>\$ 42,488,301</u>	<u>\$ 44,651,640</u>	<u>\$ 40,155,474</u>	<u>\$ 39,026,491</u>	<u>\$ 41,354,649</u>
<u>24,614,352</u>	<u>19,446,750</u>	<u>22,256,044</u>	<u>23,278,148</u>	<u>18,074,361</u>
63.32%	69.66%	64.34%	62.64%	69.59%
\$ 8,273,793	\$ 7,799,969	\$ 7,663,331	\$ 7,118,164	\$ 7,044,338
297.50%	249.32%	290.42%	327.02%	256.58%
-5.35%	16.45%	5.68%	-2.09%	4.16%

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

*Schedule of Changes in Net Pension Liability and Related Ratios
For the Last Seven Measurement Years
Employees' Retirement Plan for Police*

	<u>2020</u>	<u>2019</u>
Total pension liability:		
Service cost	\$ 1,649,898	\$ 1,622,016
Interest	4,111,885	3,979,593
Difference between expected and actual experience	(540,297)	(138,553)
Change in assumptions	(188,703)	(95,499)
Benefit payments, including refunds of employee contributions	<u>(4,044,672)</u>	<u>(4,107,380)</u>
Net change in total pension liability	988,111	1,260,177
Total pension liability - beginning	59,113,656	57,853,479
Total pension liability - ending (a)	<u>\$ 60,101,767</u>	<u>\$ 59,113,656</u>
Plan fiduciary net position:		
Contributions - employer	\$ 2,443,661	\$ 3,803,070
Contributions - employee	1,588,346	1,504,688
Net investment income	972,658	3,193,800
Benefit payments, including refunds of employee contributions	(4,044,672)	(4,107,380)
Administrative expense	<u>(141,233)</u>	<u>(297,764)</u>
Net change in plan fiduciary net position	818,760	4,096,414
Plan fiduciary net position - beginning	21,952,811	17,856,397
Plan fiduciary net position - ending (b)	<u>\$ 22,771,571</u>	<u>\$ 21,952,811</u>
Net pension liability - ending (a) - (b)	<u>37,330,196</u>	<u>37,160,845</u>
Plan fiduciary net position as a percentage of total pension liability	37.89%	37.14%
Covered payroll	\$ 13,236,218	\$ 12,539,068
Net pension liability as a percentage of covered payroll	282.03%	296.36%
Annual money-weighted rate of return, net of investment expense	4.57%	18.01%

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.

The methods and assumptions disclosed on page 103 were used to determine the contribution rates for the year ended December 31, 2020. These methods and assumptions were not retroactively used for Calendar years 2014-2019 shown above.

Employees' Retirement Plan for Police - Calendar Year

2018	2017	2016	2015	2014
\$ 1,258,499	\$ 1,073,161	\$ 1,106,580	\$ 1,054,361	\$ 1,140,739
3,897,882	3,932,216	3,834,917	3,646,049	3,669,170
(992,542)	(358,201)	519,531	157,590	(502,743)
5,113,954	2,398,032	223,990	590,641	(2,527,532)
(4,275,151)	(4,547,830)	(4,322,870)	(4,114,277)	(3,808,422)
5,002,642	2,497,378	1,362,148	1,334,364	(2,028,788)
52,850,837	50,353,459	48,991,311	47,656,947	49,685,735
<u>\$ 57,853,479</u>	<u>\$ 52,850,837</u>	<u>\$ 50,353,459</u>	<u>\$ 48,991,311</u>	<u>\$ 47,656,947</u>
\$ 1,713,305	\$ 1,486,488	\$ 1,255,887	\$ 1,257,637	\$ 1,240,469
1,417,069	1,371,862	1,255,887	1,254,637	1,240,469
(1,134,296)	2,581,753	1,493,582	(486,296)	1,101,143
(4,275,151)	(4,547,830)	(4,322,870)	(4,114,277)	(3,808,422)
(408,688)	(132,932)	(126,111)	(86,285)	(85,937)
(2,687,761)	759,341	(443,625)	(2,174,584)	(312,278)
20,544,158	19,784,817	20,228,442	22,403,026	22,715,304
<u>\$ 17,856,397</u>	<u>\$ 20,544,158</u>	<u>\$ 19,784,817</u>	<u>\$ 20,228,442</u>	<u>\$ 22,403,026</u>
<u>39,997,082</u>	<u>32,306,679</u>	<u>30,568,642</u>	<u>28,762,869</u>	<u>25,253,921</u>
30.86%	38.87%	39.29%	41.29%	47.01%
\$ 11,808,927	\$ 11,432,183	\$ 10,465,725	\$ 10,455,308	\$ 10,337,242
338.70%	282.59%	292.08%	275.10%	244.30%
-5.74%	13.68%	7.75%	2.26%	4.96%

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

	Employees' Retirement Plan for City Employees									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$2,513,409	\$ 2,508,671	\$ 2,506,334	\$ 2,334,748	\$2,153,885	\$ 2,024,974	\$ 2,278,432	\$ 2,040,170	\$ 2,108,505	\$ 2,026,248
Contribution in relation to the actuarially required contribution	\$2,518,412	\$ 2,508,671	\$ 2,506,334	\$ 2,334,748	\$2,177,518	\$ 2,024,974	\$ 1,858,266	\$ 1,836,025	\$ 1,583,356	\$ 1,616,976
Contribution deficiency (excess)	\$ (5,003)	\$ -	\$ -	\$ -	\$ (23,633)	\$ -	\$ 420,166	\$ 204,145	\$ 525,149	\$ 409,272
Covered payroll	\$ 27,926,765	\$ 27,874,119	\$ 27,848,145	\$ 25,941,635	\$ 23,932,061	\$ 22,499,711	\$ 20,647,326	\$ 20,400,300	\$ 17,592,844	\$ 17,966,400
Contributions as a percentage of covered payroll	9.0%	9.0%	9.0%	9.0%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%

	Galveston Firefighters' Pension Fund									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,522,399	\$ 1,450,275	\$ 1,467,673	\$ 1,280,134	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution in relation to the contractually required contribution	\$ 1,522,399	\$ 1,450,154	\$ 1,467,729	\$ 1,280,032	\$ 1,082,739	\$ 1,023,954	\$ 985,160	\$ 986,610	\$ 945,945	\$ 918,961
Contribution deficiency (excess)	\$ 0	\$ 121	\$ (56)	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,955,290	\$ 8,531,031	\$ 8,633,370	\$ 8,117,526	\$ 7,733,848	\$ 7,313,957	\$ 7,036,850	\$ 7,044,338	\$ 6,756,748	\$ 6,564,000
Contributions as a percentage of covered payroll	17.0%	17.0%	17.0%	15.8%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%

	Employees' Retirement Plan for Police									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$2,406,420	\$2,356,044	\$ 2,114,333	\$ 1,624,952	\$ 1,405,962	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution in relation to the contractually required contribution	\$2,406,420	\$2,356,823	\$ 2,114,922	\$ 1,625,097	\$ 1,407,567	\$ 1,249,715	\$ 1,187,532	\$ 1,240,469	\$ 1,114,126	\$ 1,117,059
Contribution deficiency (excess)	\$ (0)	\$ (779)	\$ (589)	\$ (145)	\$ (1,605)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,368,998	\$ 13,089,134	\$ 12,853,090	\$ 11,623,408	\$ 10,815,095	\$ 10,414,292	\$ 9,896,098	\$ 10,337,242	\$ 9,281,758	\$ 9,308,825
Contributions as a percentage of covered payroll	(a) 18.00%	18.00%	16.45%	13.98%	12.83%	12.0%	12.0%	12.0%	12.0%	12.0%

(a) Contributions by the City increased from 17% to 18% in October 2019.

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**Notes to Schedule of Contributions****For the Year Ended December 31, 2020**

	Employees' Retirement Plan for City Employees	Galveston Firefighters' Pension Fund	Employees' Retirement Plan for Police
Valuation Date:	31-Dec-20	31-Dec-20	31-Dec-20
<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, open.	Level percentage of payroll, closed.	Level percentage of payroll based on an assumed annual payroll growth of 3.50% per year.
Inflation	2.75% per annum	2.85% per annum	3.50% per annum
Investment rate of return	7.25%, net of pension plan investment expenses	7.50%, net of pension plan investment expenses	7.00% per annum, net of pension plan investment expenses
Administrative expense	Assumed to be 0.60% of payroll.	Assumed to be 1.55% of payroll.	Assumed to be 0.95% of payroll.
Salary increases	2.75%, plus promotion, step and longevity increases that vary by service	2.85%, plus promotion, step and longevity increases that vary by service	3.00% grading down to 0% per annum for longevity and promotion based on years of service.
Mortality rates	Mortality rates were based on the PubG-2010 below-medium income table for employees and for retirees, projected for mortality improvement generationally using the projection scale MP-2018	PubS-2010 (public safety) total dataset mortality tables for employees and retirees, projected for mortality improvement generationally using the projection scale MP-2019.	Society of Actuaries (SOA) Public Safety mortality tables projected generationally with Scale MP-2020

The methods and assumptions noted above are used to determine the contribution rates for the year ended December 31, 2020. These methods and assumptions were not retroactively used for previous years.

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

	Calendar Year			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 882,874	\$ 777,658	\$ 825,240	\$ 571,322
Interest on the total OPEB Liability	305,947	360,881	310,894	311,717
Difference between expected and actual experience	(963,672)	(796)	(1,817,888)	48,153
Changes of assumption	3,408,122	1,030,796	1,325,541	433,248
Benefit payments	(347,617)	(254,025)	(316,616)	(244,096)
Net change in total OPEB liability	3,285,654	1,914,514	327,171	1,120,344
Total OPEB liability - beginning	11,379,952	9,465,438	9,138,267	8,017,923
Total OPEB liability - ending	<u>\$ 14,665,606</u>	<u>\$ 11,379,952</u>	<u>\$ 9,465,438</u>	<u>\$ 9,138,267</u>
Covered employee payroll	\$ 42,418,424	\$ 41,580,086	\$ 41,580,086	\$ 39,330,779
Total OPEB liability as a percentage of covered employee payroll	34.57%	27.37%	22.76%	23.23%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017. No assets are accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

Notes to Schedule:

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

2021	1.93%
2020	2.75%
2019	3.71%
2018	3.31%
2017	3.81%

Combining and Individual Fund Statements and Schedule



2021 Annual Comprehensive Financial Report



NON-MAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

Cable Television Public Education & Government Fund – To account for receipt and expenditures of public-access television tax revenue provided for the purpose of public, educational, and governmental information.

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

FEMA Disaster Fund – To account for receipt and expenditures of grant monies restricted for Tropical Storm Laura recovery efforts.

Coronavirus Relief Fund – To account for receipt and expenditures of grant monies restricted for COVID-19 eligible expenses incurred.

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

Debt Service Fund – To account for the payment of interest and principal on all property tax-supported general obligation long-term debt of the City. Water and sewer supported general obligation refunding bond debt service payment are paid by the respective enterprise fund. City bonds issued on behalf of the Wharves Authority are paid here and reimbursed by the Authority.

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

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2021

	SPECIAL REVENUE FUNDS			
	Island Transit	Rosenberg Library	Payroll Clearing	Housing & Urban Development Entitlement
Assets				
Cash and cash equivalents	\$ 133,200	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	4,897	103,764	51,757	14,573
Due from other governments	193,600	-	-	663,099
Due from other funds	-	-	-	-
Inventories	210,080	-	-	-
Prepaid Items	-	-	-	1,681
Restricted cash and investments	-	2,980	-	925,136
Total Assets	<u>\$ 541,777</u>	<u>\$ 106,744</u>	<u>\$ 51,757</u>	<u>\$ 1,604,489</u>
Liabilities				
Accounts payable	\$ 46,203	\$ 2,980	\$ -	\$ 18,432
Accrued expenditures	99,017	-	-	65,612
Due to other funds	-	-	51,757	584,346
Due to other governments	-	-	-	1,400
Unearned revenue	150,051	-	-	934,943
Customer deposits	-	-	-	-
Total Liabilities	<u>295,271</u>	<u>2,980</u>	<u>51,757</u>	<u>1,604,733</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	103,764	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>103,764</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	210,080	-	-	-
Prepaid items	-	-	-	1,681
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	-	-
Grants	36,426	-	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	-	-	-	-
Unassigned	-	-	-	(1,925)
Total Fund Balance	<u>246,506</u>	<u>-</u>	<u>-</u>	<u>(244)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 541,777</u>	<u>\$ 106,744</u>	<u>\$ 51,757</u>	<u>\$ 1,604,489</u>

SPECIAL REVENUE FUNDS

Project Specific Programs	Convention Center Operations	Cable Public Television Education & Government	Parking Management	Seawall Parking	FEMA Disaster	Arts and Historical
\$ 4,144	\$ -	\$ -	\$ 665,776	\$ -	\$ -	\$ 1,737,352
1,036	-	42,202	-	-	-	-
2,961,176	-	-	-	771,197	100,893	-
-	-	-	-	-	-	54,962
-	-	-	-	-	-	-
686,440	2,753,533	1,278,464	-	1,702,804	-	-
<u>\$ 3,652,796</u>	<u>\$ 2,753,533</u>	<u>\$ 1,320,666</u>	<u>\$ 665,776</u>	<u>\$ 2,474,001</u>	<u>\$ 100,893</u>	<u>\$ 1,792,314</u>
\$ 2,906,214	\$ 2,005,495	\$ -	\$ 9,287	\$ -	\$ 29,348	\$ -
24,510	-	-	13,085	-	-	-
54,962	-	-	1,577	-	71,545	-
-	-	-	4,902	-	-	-
4,144	-	-	-	-	-	-
13,067	-	-	-	-	-	-
<u>3,002,897</u>	<u>2,005,495</u>	<u>-</u>	<u>28,851</u>	<u>-</u>	<u>100,893</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,474,001	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	748,038	-	-	-	-	-
-	-	1,320,666	636,925	-	-	-
649,899	-	-	-	-	-	-
-	-	-	-	-	-	1,792,314
-	-	-	-	-	-	-
<u>649,899</u>	<u>748,038</u>	<u>1,320,666</u>	<u>636,925</u>	<u>2,474,001</u>	<u>-</u>	<u>1,792,314</u>
<u>\$ 3,652,796</u>	<u>\$ 2,753,533</u>	<u>\$ 1,320,666</u>	<u>\$ 665,776</u>	<u>\$ 2,474,001</u>	<u>\$ 100,893</u>	<u>\$ 1,792,314</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2021

	SPECIAL REVENUE FUNDS			
	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus	Infrastructure & Debt Service
Assets				
Cash and cash equivalents	\$ 6,624	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	139,100	-	-
Due from other governments	-	26,019	36,550	-
Due from other funds	-	-	-	47,011
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	-	944,248	4,784,663	4,718,174
Total Assets	<u>\$ 6,624</u>	<u>\$ 1,109,367</u>	<u>\$ 4,821,213</u>	<u>\$ 4,765,185</u>
Liabilities				
Accounts payable	\$ -	\$ 19,514	\$ 690	\$ 142,849
Accrued expenditures	1,907	4,375	-	83,069
Due to other funds	-	26,019	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	20,160	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>1,907</u>	<u>70,068</u>	<u>690</u>	<u>225,918</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	4,539,267
Capital projects	-	-	-	-
Grants	-	1,039,299	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	4,820,523	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	4,717	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>4,717</u>	<u>1,039,299</u>	<u>4,820,523</u>	<u>4,539,267</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,624</u>	<u>\$ 1,109,367</u>	<u>\$ 4,821,213</u>	<u>\$ 4,765,185</u>

SPECIAL REVENUE FUNDS

Judicial Programs	Lasker Pool	Pension Reform	Recovery & Capital Reserve	Separation Pay	Revenue Producing Parks	Technology Replacement
\$ 264,560	\$ 800	\$ 1,066,699	\$ 512,690	\$ 321,398	\$ 674,536	\$ 2,288,582
-	-	-	-	-	-	-
-	-	-	-	-	649	-
-	-	-	-	-	-	85,700
-	-	-	-	-	-	-
5,157	-	-	-	-	-	-
693	402,946	-	209,119	-	-	-
<u>\$ 270,410</u>	<u>\$ 403,746</u>	<u>\$ 1,066,699</u>	<u>\$ 721,809</u>	<u>\$ 321,398</u>	<u>\$ 675,185</u>	<u>\$ 2,374,282</u>
\$ -	\$ 2,046	\$ -	\$ -	\$ -	\$ 3,144	\$ -
-	16,852	-	-	-	1,795	-
-	-	-	-	-	-	-
-	-	-	-	-	14,166	-
-	-	-	-	-	-	-
-	18,898	-	-	-	19,105	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,157	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	721,809	-	-	-
265,253	384,848	1,066,699	-	321,398	656,080	2,374,282
-	-	-	-	-	-	-
<u>270,410</u>	<u>384,848</u>	<u>1,066,699</u>	<u>721,809</u>	<u>321,398</u>	<u>656,080</u>	<u>2,374,282</u>
<u>\$ 270,410</u>	<u>\$ 403,746</u>	<u>\$ 1,066,699</u>	<u>\$ 721,809</u>	<u>\$ 321,398</u>	<u>\$ 675,185</u>	<u>\$ 2,374,282</u>

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2021

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS	
	Hurricane Harvey	Coronavirus Relief	Island Transit Capital Projects	General Obligation Bond 2017 Capital Projects
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	1,031,359	-	524,885	-
Due from other funds	-	-	2,995,247	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	38,828	-	1,080,668	4,162,396
Total Assets	<u>\$ 1,070,187</u>	<u>\$ -</u>	<u>\$ 4,600,800</u>	<u>\$ 4,162,396</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 48,707	\$ 226,268
Accrued expenditures	-	-	-	379,087
Due to other funds	948,917	-	447,038	-
Due to other governments	-	-	-	-
Unearned revenue	97,076	-	29,140	-
Customer deposits	-	-	-	-
Total Liabilities	<u>1,045,993</u>	<u>-</u>	<u>524,885</u>	<u>605,355</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Debt service	-	-	-	-
Beach preservation	-	-	-	-
Infrastructure and debt service	-	-	-	-
Capital projects	-	-	4,075,915	3,557,041
Grants	-	-	-	-
Tourism, convention and hotel industry:				
Convention center operator	-	-	-	-
City of Galveston	-	-	-	-
Committed:				
Governmental projects	-	-	-	-
Assigned:				
Other	24,194	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>24,194</u>	<u>-</u>	<u>4,075,915</u>	<u>3,557,041</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,070,187</u>	<u>\$ -</u>	<u>\$ 4,600,800</u>	<u>\$ 4,162,396</u>

CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS		Total
Industrial Development Corporation Beach Renourishment	Industrial Development Corporation Economic Development	Industrial Development Corporation Parks Improvement	Industrial Development Corporation Infrastructure	Debt Service	Hotel Occupancy Tax Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,676,361
-	-	-	-	109,391	-	466,720
286,738	286,738	286,738	286,738	-	-	7,456,379
785	785	785	785	-	-	3,186,060
-	-	-	-	-	-	210,080
-	-	-	-	-	-	6,838
4,335,323	4,186,027	2,318,109	4,363,896	1,667,626	2,774,876	43,336,949
<u>\$ 4,622,846</u>	<u>\$ 4,473,550</u>	<u>\$ 2,605,632</u>	<u>\$ 4,651,419</u>	<u>\$ 1,777,017</u>	<u>\$ 2,774,876</u>	<u>\$ 62,339,387</u>
\$ 84,128	\$ 69,077	\$ 36,139	\$ 295	\$ -	\$ -	\$ 5,650,816
-	-	-	77,758	-	-	767,067
-	-	-	-	-	-	2,186,161
-	-	-	-	-	-	6,302
-	-	-	-	-	-	1,249,680
-	-	-	-	-	-	13,067
<u>84,128</u>	<u>69,077</u>	<u>36,139</u>	<u>78,053</u>	<u>-</u>	<u>-</u>	<u>9,873,093</u>
-	-	-	-	109,391	-	213,155
-	-	-	-	109,391	-	213,155
-	-	-	-	-	-	210,080
-	-	-	-	-	-	6,838
-	-	-	-	1,667,626	2,774,876	4,442,502
-	-	-	-	-	-	2,474,001
-	-	-	-	-	-	4,539,267
4,538,718	4,404,473	2,569,493	4,573,366	-	-	23,719,006
-	-	-	-	-	-	1,075,725
-	-	-	-	-	-	5,568,561
-	-	-	-	-	-	1,957,591
-	-	-	-	-	-	1,371,708
-	-	-	-	-	-	6,889,785
-	-	-	-	-	-	(1,925)
<u>4,538,718</u>	<u>4,404,473</u>	<u>2,569,493</u>	<u>4,573,366</u>	<u>1,667,626</u>	<u>2,774,876</u>	<u>52,253,139</u>
<u>\$ 4,622,846</u>	<u>\$ 4,473,550</u>	<u>\$ 2,605,632</u>	<u>\$ 4,651,419</u>	<u>\$ 1,777,017</u>	<u>\$ 2,774,876</u>	<u>\$ 62,339,387</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	SPECIAL REVENUE FUNDS			
	Island Transit	Rosenberg Library	Payroll Clearing	Housing & Urban Development Entitlement
Revenues				
Property taxes	\$ -	\$ 3,441,880	\$ -	\$ -
Sales and use taxes	-	-	-	-
Hotel occupancy taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	126,332	-	-	-
Investment earnings	-	-	-	-
Intergovernmental	2,651,815	-	-	1,958,022
Other	34,006	-	-	-
Total revenues	<u>2,812,153</u>	<u>3,441,880</u>	<u>-</u>	<u>1,958,022</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and roads	-	-	-	-
Culture and recreation	-	3,441,880	-	-
Planning and community development	-	-	-	959,763
Transportation	3,487,462	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	998,503
Total expenditures	<u>3,487,462</u>	<u>3,441,880</u>	<u>-</u>	<u>1,958,266</u>
Excess (deficiency) of revenues over (under) expenditures	(675,309)	-	-	(244)
Other Financing Sources (Uses)				
Sale of capital assets	11,514	-	-	-
Transfers in	560,676	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>572,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(103,119)	-	-	(244)
Fund balance - beginning	<u>349,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 246,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (244)</u>

SPECIAL REVENUE FUNDS

Project Specific Programs	Convention Center Operations	Cable Public Television Education & Government	Parking Management	Seawall Parking	FEMA Disaster	Arts and Historical
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	9,987,754	-	-	-	-	316,177
1,583	-	-	-	-	-	-
55,752	-	166,661	734,603	937,380	-	-
514	95	751	403	949	-	-
790	-	-	-	-	602,359	-
-	-	-	176	-	-	-
<u>58,639</u>	<u>9,987,849</u>	<u>167,412</u>	<u>735,182</u>	<u>938,329</u>	<u>602,359</u>	<u>316,177</u>
-	-	-	-	-	-	-
380	-	-	-	37,637	-	-
-	-	-	-	-	-	-
16,874	9,966,913	9,836	664,376	-	-	-
-	-	-	-	-	602,359	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
467,304	20,922	70,078	-	-	-	-
<u>484,558</u>	<u>9,987,835</u>	<u>79,914</u>	<u>664,376</u>	<u>37,637</u>	<u>602,359</u>	<u>-</u>
(425,919)	14	87,498	70,806	900,692	-	316,177
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(425,919)	14	87,498	70,806	900,692	-	316,177
1,075,818	748,024	1,233,168	566,119	1,573,309	-	1,476,137
<u>\$ 649,899</u>	<u>\$ 748,038</u>	<u>\$ 1,320,666</u>	<u>\$ 636,925</u>	<u>\$ 2,474,001</u>	<u>\$ -</u>	<u>\$ 1,792,314</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	SPECIAL REVENUE FUNDS			
	Neighborhood Revitalization	Public Safety Programs	Convention Center Surplus	Infrastructure & Debt Service
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Hotel occupancy taxes	-	-	3,453,622	-
Fines and forfeitures	-	-	-	-
Charges for services	-	37,085	-	-
Investment earnings	162	538	-	2,571
Intergovernmental	-	238,315	-	-
Other	-	89,492	-	4,441
Total revenues	<u>162</u>	<u>365,430</u>	<u>3,453,622</u>	<u>7,012</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	342,547	-	-
Highways and roads	-	-	-	1,039,203
Culture and recreation	155,394	-	875,134	-
Planning and community development	-	-	-	-
Transportation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	<u>51,661</u>	<u>-</u>	<u>-</u>	<u>1,372,121</u>
Total expenditures	<u>207,055</u>	<u>342,547</u>	<u>875,134</u>	<u>2,411,324</u>
Excess (deficiency) of revenues over (under) expenditures	(206,893)	22,883	2,578,488	(2,404,312)
Other Financing Sources (Uses)				
Sale of capital assets	-	150,140	-	-
Transfers in	-	83,500	-	4,877,683
Transfers (out)	(202,516)	(13,000)	(410,677)	(1,510,993)
Total other financing sources (uses)	<u>(202,516)</u>	<u>220,640</u>	<u>(410,677)</u>	<u>3,366,690</u>
Net change in fund balance	(409,409)	243,523	2,167,811	962,378
Fund balance - beginning	<u>414,126</u>	<u>795,776</u>	<u>2,652,712</u>	<u>3,576,889</u>
Fund balance - ending	<u>\$ 4,717</u>	<u>\$ 1,039,299</u>	<u>\$ 4,820,523</u>	<u>\$ 4,539,267</u>

SPECIAL REVENUE FUNDS

Judicial Programs	Lasker Pool	Pension Reform	Recovery & Capital Reserve	Separation Pay	Revenue Producing Parks	Technology Replacement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
81,046	-	-	-	-	-	-
-	81,519	-	-	-	258,179	-
157	292	645	126	-	277	892
-	-	-	-	-	-	-
-	18,756	-	73,614	-	-	-
<u>81,203</u>	<u>100,567</u>	<u>645</u>	<u>73,740</u>	<u>-</u>	<u>258,456</u>	<u>892</u>
75,768	-	-	-	973,637	-	129,751
-	-	-	-	-	-	-
-	461,378	-	-	-	133,829	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	35,405
<u>75,768</u>	<u>461,378</u>	<u>-</u>	<u>-</u>	<u>973,637</u>	<u>133,829</u>	<u>165,156</u>
5,435	(360,811)	645	73,740	(973,637)	124,627	(164,264)
-	-	-	-	-	-	-
-	400,000	-	-	875,570	118,385	895,167
-	-	-	-	-	(4,700)	-
-	400,000	-	-	875,570	113,685	895,167
5,435	39,189	645	73,740	(98,067)	238,312	730,903
<u>264,975</u>	<u>345,659</u>	<u>1,066,054</u>	<u>648,069</u>	<u>419,465</u>	<u>417,768</u>	<u>1,643,379</u>
<u>\$ 270,410</u>	<u>\$ 384,848</u>	<u>\$ 1,066,699</u>	<u>\$ 721,809</u>	<u>\$ 321,398</u>	<u>\$ 656,080</u>	<u>\$ 2,374,282</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2021

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS	
	Hurricane Harvey Fund	Coronavirus Relief Fund	Island Transit Capital Projects	General Obligation Bond 2017 Capital Projects
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Hotel occupancy taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	2,350	3,939
Intergovernmental	1,327,266	2,184,072	775,763	-
Other	-	-	-	-
Total revenues	<u>1,327,266</u>	<u>2,184,072</u>	<u>778,113</u>	<u>3,939</u>
Expenditures				
Current:				
General government	-	2,184,072	-	-
Public safety	-	100,000	-	-
Highways and roads	-	-	-	44,504
Culture and recreation	-	-	-	-
Planning and community development	29,206	-	-	-
Transportation	-	-	17,864	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	<u>1,320,633</u>	<u>-</u>	<u>903,961</u>	<u>4,729,870</u>
Total expenditures	<u>1,349,839</u>	<u>2,284,072</u>	<u>921,825</u>	<u>4,774,374</u>
Excess (deficiency) of revenues over (under) expenditures	(22,573)	(100,000)	(143,712)	(4,770,435)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	134,574	-
Transfers (out)	-	-	(134,574)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(22,573)	(100,000)	(143,712)	(4,770,435)
Fund balance - beginning	<u>46,767</u>	<u>100,000</u>	<u>4,219,627</u>	<u>8,327,476</u>
Fund balance - ending	<u>\$ 24,194</u>	<u>\$ -</u>	<u>\$ 4,075,915</u>	<u>\$ 3,557,041</u>

CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS		
Industrial Development Corporation Beach Renourishment	Industrial Development Corporation Economic Development	Industrial Development Corporation Parks Improvement	Industrial Development Corporation Infrastructure	Debt Service	Hotel Occupancy Tax Debt Service	Totals
\$ -	\$ -	\$ -	\$ -	\$ 3,615,327	\$ -	\$ 7,057,207
1,562,350	1,562,350	1,562,350	1,562,351	-	-	6,249,401
-	-	-	-	-	1,872,413	15,629,966
-	-	-	-	-	-	82,629
-	-	-	-	-	-	2,397,511
2,318	1,697	895	1,943	1,106	204	22,824
-	-	-	-	-	-	9,738,402
-	-	-	-	-	-	220,485
<u>1,564,668</u>	<u>1,564,047</u>	<u>1,563,245</u>	<u>1,564,294</u>	<u>3,616,433</u>	<u>1,872,617</u>	<u>41,398,425</u>
-	-	-	-	-	-	3,363,228
-	-	-	-	-	-	480,564
-	-	-	404,998	-	-	1,488,705
692,601	-	361,968	-	-	-	16,780,183
265	261,468	235	148,865	-	-	2,002,161
-	-	-	-	-	-	3,505,326
-	-	-	-	2,645,100	1,110,000	3,755,100
-	-	-	-	2,530,993	756,113	3,287,106
<u>1,449,061</u>	<u>-</u>	<u>64,870</u>	<u>377,569</u>	<u>-</u>	<u>-</u>	<u>11,861,958</u>
<u>2,141,927</u>	<u>261,468</u>	<u>427,073</u>	<u>931,432</u>	<u>5,176,093</u>	<u>1,866,113</u>	<u>46,524,331</u>
(577,259)	1,302,579	1,136,172	632,862	(1,559,660)	6,504	(5,125,906)
-	-	-	-	-	-	161,654
-	-	-	84,131	1,510,993	-	9,540,679
-	-	(400,000)	-	-	-	(2,676,460)
-	-	(400,000)	84,131	1,510,993	-	7,025,873
(577,259)	1,302,579	736,172	716,993	(48,667)	6,504	1,899,967
<u>5,115,977</u>	<u>3,101,894</u>	<u>1,833,321</u>	<u>3,856,373</u>	<u>1,716,293</u>	<u>2,768,372</u>	<u>50,353,172</u>
<u>\$ 4,538,718</u>	<u>\$ 4,404,473</u>	<u>\$ 2,569,493</u>	<u>\$ 4,573,366</u>	<u>\$ 1,667,626</u>	<u>\$ 2,774,876</u>	<u>\$ 52,253,139</u>

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

For the Year Ended September 30, 2021

	Actual Amounts			Actual - Budgetary Basis	Variance with Final Budget
	Budgeted Amounts Final	Actual	Reconciling Items		
Revenues					
Charges for services	\$ 270,000	\$ 126,332	\$ (35,557) ¹	\$ 90,775	\$ (179,225)
Intergovernmental	2,818,170	2,651,815	-	2,651,815	(166,355)
Other	96,200	34,006	35,557 ¹	69,563	(26,637)
Total revenues	<u>3,184,370</u>	<u>2,812,153</u>	<u>-</u>	<u>2,812,153</u>	<u>(372,217)</u>
Expenditures					
Current:					
Transportation	4,406,660	3,487,462	-	3,487,462	919,198
Total expenditures	<u>4,406,660</u>	<u>3,487,462</u>	<u>-</u>	<u>3,487,462</u>	<u>919,198</u>
Revenues over (under) expenditures	(1,222,290)	(675,309)	-	(675,309)	546,981
Other Financing Sources (Uses)					
Sale of capital assets	-	11,514	-	11,514	11,514
Transfers in	1,223,864	560,676	-	560,676	(663,188)
Total other financing sources (uses)	<u>1,223,864</u>	<u>572,190</u>	<u>-</u>	<u>572,190</u>	<u>(651,674)</u>
Changes in fund balance	1,574	(103,119)	-	(103,119)	(104,693)
Fund balance - beginning	<u>362,364</u>	<u>349,625</u>	<u>-</u>	<u>349,625</u>	<u>(12,739)</u>
Fund balance - ending	<u>\$ 363,938</u>	<u>\$ 246,506</u>	<u>\$ -</u>	<u>\$ 246,506</u>	<u>\$ (117,432)</u>

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

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Revenues					
Property taxes	\$ 3,438,900	\$ 3,441,880	(2,980) ¹	3,438,900	\$ -
Total revenues	<u>3,438,900</u>	<u>3,441,880</u>	<u>(2,980)</u>	<u>3,438,900</u>	<u>-</u>
Expenditures					
Current:					
Culture and recreation	3,438,900	3,441,880	(2,980) ¹	3,438,900	-
Total expenditures	<u>3,438,900</u>	<u>3,441,880</u>	<u>(2,980)</u>	<u>3,438,900</u>	<u>-</u>
Changes in fund balance	-	-	-	-	-
Fund balance - beginning	-	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1) Reconciling item represents the true up calculation for prior year collections

SPECIAL REVENUE FUND - PROJECT SPECIFIC PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended September 30, 2021

	Actual Amounts			Actual - Budgetary Basis	Variance with Final Budget
	Budgeted Amounts Final	Actual	Reconciling Items		
Revenues					
Fines and forfeitures	\$ 1,583	\$ 1,583	\$ -	\$ 1,583	\$ -
Charges for services	55,752	55,752	-	55,752	-
Investment earnings	1,594	514	-	514	(1,080)
Intergovernmental	850	790	-	790	(60)
Other	22,500	-	22,500 ¹	22,501	1
Total revenues	<u>82,279</u>	<u>58,639</u>	<u>22,500</u>	<u>81,140</u>	<u>(1,139)</u>
Expenditures					
Current:					
Public Safety	1,230	380	-	380	850
Culture and recreation	203,433	16,874	-	16,874	186,559
Capital Outlay	<u>640,754</u>	<u>467,304</u>	<u>22,500¹</u>	<u>489,805</u>	<u>150,949</u>
Total expenditures	<u>845,417</u>	<u>484,558</u>	<u>22,500</u>	<u>507,059</u>	<u>338,358</u>
Changes in fund balance	(763,138)	(425,919)	-	(425,919)	337,219
Fund balance - beginning	<u>1,075,818</u>	<u>1,075,818</u>	<u>-</u>	<u>1,075,818</u>	<u>-</u>
Fund balance - ending	<u>\$ 312,680</u>	<u>\$ 649,899</u>	<u>\$ -</u>	<u>\$ 649,899</u>	<u>\$ 337,219</u>

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

SPECIAL REVENUE FUND - CABLE TELEVISION PUBLIC EDUCATION & GOVERNMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Charges for services	\$ 170,000	\$ 166,661	\$ (3,339)
Investment earnings	11,000	751	(10,249)
Total revenues	<u>181,000</u>	<u>167,412</u>	<u>(13,588)</u>
Expenditures			
Current:			
Culture and recreation	15,000	9,836	5,164
Capital Outlay	903,957	70,078	833,879
Total expenditures	<u>918,957</u>	<u>79,914</u>	<u>839,043</u>
Changes in fund balance	(737,957)	87,498	825,455
Fund balance - beginning	<u>1,233,168</u>	<u>1,233,168</u>	<u>-</u>
Fund balance - ending	<u>\$ 495,211</u>	<u>\$ 1,320,666</u>	<u>\$ 825,455</u>

SPECIAL REVENUE FUND - PARKING MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Charges for services	\$ 650,000	\$ 734,603	\$ 84,603
Investment earnings	6,000	403	(5,597)
Other	-	176	176
Total revenues	<u>656,000</u>	<u>735,182</u>	<u>79,182</u>
Expenditures			
Current:			
Culture and recreation	1,029,721	664,376	365,345
Total expenditures	<u>1,029,721</u>	<u>664,376</u>	<u>365,345</u>
Changes in fund balance	(373,721)	70,806	444,527
Fund balance - beginning	<u>566,119</u>	<u>566,119</u>	<u>-</u>
Fund balance - ending	<u>\$ 192,398</u>	<u>\$ 636,925</u>	<u>\$ 444,527</u>

SPECIAL REVENUE FUND - SEAWALL PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Charges for services	\$ 125,000	\$ 937,380	\$ 812,380
Investment earnings	15,000	949	(14,051)
Total revenues	<u>140,000</u>	<u>938,329</u>	<u>798,329</u>
Expenditures			
Current:			
Public Safety	1,676,531	37,637	1,638,894
Total expenditures	<u>1,676,531</u>	<u>37,637</u>	<u>1,638,894</u>
Changes in fund balance	(1,536,531)	900,692	2,437,223
Fund balance - beginning	<u>1,573,309</u>	<u>1,573,309</u>	<u>-</u>
Fund balance - ending	<u>\$ 36,778</u>	<u>\$ 2,474,001</u>	<u>\$ 2,437,223</u>

**SPECIAL REVENUE FUND - ARTS & HISTORICAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Hotel occupancy taxes	\$ 188,000	\$ 316,177	\$ 128,177
Total revenues	<u>188,000</u>	<u>316,177</u>	<u>128,177</u>
Expenditures			
Capital outlay	1,654,864	-	1,654,864
Total expenditures	<u>1,654,864</u>	<u>-</u>	<u>1,654,864</u>
Changes in fund balance	(1,466,864)	316,177	1,783,041
Fund balance - beginning	<u>1,476,137</u>	<u>1,476,137</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,273</u>	<u>\$ 1,792,314</u>	<u>\$ 1,783,041</u>

SPECIAL REVENUE FUND - NEIGHBORHOOD REVITALIZATION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Actual Amounts		Reconciling Items	Actual - Budgetary Basis	Variance with Final Budget
	Budgeted Amounts Final	Actual			
Revenues					
Investment earnings	\$ 2,500	\$ 162	\$ -	\$ 162	\$ (2,338)
Total revenues	<u>2,500</u>	<u>162</u>	<u>-</u>	<u>162</u>	<u>(2,338)</u>
Expenditures					
Current:					
Culture and recreation	350,890	155,394	202,516 ¹	357,910	(7,020)
Capital outlay	<u>51,661</u>	<u>51,661</u>		<u>51,661</u>	<u>-</u>
Total expenditures	<u>402,551</u>	<u>207,055</u>	<u>202,516</u>	<u>409,571</u>	<u>(7,020)</u>
Other Financing Sources (Uses)					
Transfers (out)	-	(202,516)	202,516 ¹	-	-
Total other financing sources (uses)	<u>-</u>	<u>(202,516)</u>	<u>202,516</u>	<u>-</u>	<u>-</u>
Changes in fund balance	(400,051)	(409,409)	-	(409,409)	(9,358)
Fund balance - beginning	<u>414,126</u>	<u>414,126</u>	<u>-</u>	<u>414,126</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,075</u>	<u>\$ 4,717</u>	<u>\$ -</u>	<u>\$ 4,717</u>	<u>\$ (9,358)</u>

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

SPECIAL REVENUE FUND - PUBLIC SAFETY PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Charges for services	\$ 65,000	\$ 37,085	\$ (27,915)
Investment earnings	5,700	538	(5,162)
Intergovernmental	227,752	238,315	10,563
Other	111,940	89,492	(22,448)
Total revenues	<u>410,392</u>	<u>365,430</u>	<u>(44,962)</u>
Expenditures			
Current:			
Public Safety	\$ 1,095,887	342,547	753,340
Capital outlay	71,146	-	71,146
Total expenditures	<u>1,167,033</u>	<u>342,547</u>	<u>824,486</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	150,140	150,140
Transfers in	83,000	83,500	500
Transfers (out)	(18,615)	(13,000)	5,615
Total other financing sources (uses)	<u>64,385</u>	<u>220,640</u>	<u>156,255</u>
Changes in fund balance	(692,256)	243,523	935,779
Fund balance - beginning	<u>795,776</u>	<u>795,776</u>	<u>-</u>
Fund balance - ending	<u>\$ 103,520</u>	<u>\$ 1,039,299</u>	<u>\$ 935,779</u>

SPECIAL REVENUE FUND - CONVENTION CENTER SURPLUS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Hotel occupancy taxes	\$ 1,589,000	\$ 3,453,622	\$ 1,864,622
Total revenues	<u>1,589,000</u>	<u>3,453,622</u>	<u>1,864,622</u>
Expenditures			
Current:			
Culture and recreation	\$ 3,167,848	875,134	2,292,714
Total expenditures	<u>3,167,848</u>	<u>875,134</u>	<u>2,292,714</u>
Other Financing Sources (Uses)			
Transfers (out)	(1,073,864)	(410,677)	663,187
Total other financing sources (uses)	<u>(1,073,864)</u>	<u>(410,677)</u>	<u>663,187</u>
Changes in fund balance	(2,652,712)	2,167,811	4,820,523
Fund balance - beginning	<u>2,652,712</u>	<u>2,652,712</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,820,523</u>	<u>\$ 4,820,523</u>

**SPECIAL REVENUE FUND - INFRASTRUCTURE AND DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ 40,000	\$ 2,571	\$ (37,429)
Other	-	4,441	4,441
Total revenues	<u>40,000</u>	<u>7,012</u>	<u>(32,988)</u>
Expenditures			
Current:			
Highways and roads	2,932,503	1,039,203	1,893,300
Capital outlay	<u>3,537,488</u>	<u>1,372,121</u>	<u>2,165,367</u>
Total expenditures	<u>6,469,991</u>	<u>2,411,324</u>	<u>4,058,667</u>
Other Financing Sources (Uses)			
Transfers in	4,877,683	4,877,683	-
Transfers (out)	<u>(1,510,993)</u>	<u>(1,510,993)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,366,690</u>	<u>3,366,690</u>	<u>-</u>
Changes in fund balance	(3,063,301)	962,378	(4,091,655)
Fund balance - beginning	<u>3,576,889</u>	<u>3,576,889</u>	<u>-</u>
Fund balance - ending	<u>\$ 513,588</u>	<u>\$ 4,539,267</u>	<u>\$ (4,091,655)</u>

SPECIAL REVENUE FUND - JUDICIAL PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Fines and forfeitures	\$ 58,466	\$ 81,046	\$ 22,580
Investment earnings	1,600	157	(1,443)
Total revenues	<u>60,066</u>	<u>81,203</u>	<u>21,137</u>
Expenditures			
Current:			
General government	315,093	75,768	239,325
Total expenditures	<u>315,093</u>	<u>75,768</u>	<u>239,325</u>
Changes in fund balance	(255,027)	5,435	260,462
Fund balance - beginning	<u>264,975</u>	<u>264,975</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,948</u>	<u>\$ 270,410</u>	<u>\$ 260,462</u>

SPECIAL REVENUE FUND - LASKER POOL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts		Variance with Final
	Final	Actual	Budget
Revenues			
Charges for services	\$ 109,000	\$ 81,519	\$ (27,481)
Investment earnings	8,700	292	(8,408)
Other	-	18,756	18,756
Total revenues	<u>117,700</u>	<u>100,567</u>	<u>(17,133)</u>
Expenditures			
Current:			
Culture and recreation	844,684	461,378	383,306
Total expenditures	<u>844,684</u>	<u>461,378</u>	<u>383,306</u>
Other Financing Sources (Uses)			
Transfers in	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Changes in fund balance	(326,984)	39,189	366,173
Fund balance - beginning	<u>345,659</u>	<u>345,659</u>	<u>-</u>
Fund balance - ending	<u>\$ 18,675</u>	<u>\$ 384,848</u>	<u>\$ 366,173</u>

SPECIAL REVENUE FUND - PENSION REFORM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ 8,000	\$ 645	\$ (7,355)
Total revenues	<u>8,000</u>	<u>645</u>	<u>(7,355)</u>
Changes in fund balance	8,000	645	7,355
Fund balance - beginning	<u>1,066,054</u>	<u>1,066,054</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,074,054</u>	<u>\$ 1,066,699</u>	<u>\$ 7,355</u>

**SPECIAL REVENUE FUND - RECOVERY AND CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ -	\$ 126	\$ 126
Other	-	73,614	73,614
Total revenues	<u>-</u>	<u>73,740</u>	<u>73,740</u>
Expenditures			
Current:			
General government	404,905	-	404,905
Total expenditures	<u>404,905</u>	<u>-</u>	<u>404,905</u>
Changes in fund balance	(404,905)	73,740	478,645
Fund balance - beginning	<u>648,069</u>	<u>648,069</u>	<u>-</u>
Fund balance - ending	<u>\$ 243,164</u>	<u>\$ 721,809</u>	<u>\$ 478,645</u>

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Expenditures			
Current:			
General government	\$ 821,000	\$ 973,637	\$ 152,637
Total expenditures	<u>821,000</u>	<u>973,637</u>	<u>152,637</u>
Other Financing Sources (Uses)			
Transfers in	875,570	875,570	-
Total other financing sources (uses)	<u>875,570</u>	<u>875,570</u>	<u>-</u>
Changes in fund balance	54,570	(98,067)	(152,637)
Fund balance - beginning	<u>419,465</u>	<u>419,465</u>	<u>-</u>
Fund balance - ending	<u>\$ 474,035</u>	<u>\$ 321,398</u>	<u>\$ (152,637)</u>

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual	Variance with Final Budget
Revenues			
Charges for services	\$ 191,670	\$ 258,179	\$ 66,509
Investment earnings	1,150	277	(873)
Total revenues	<u>192,820</u>	<u>258,456</u>	<u>65,636</u>
Expenditures			
Current:			
Culture and recreation	529,643	133,829	395,814
Total expenditures	<u>529,643</u>	<u>133,829</u>	<u>395,814</u>
Other Financing Sources (Uses)			
Transfers in	-	118,385	118,385
Transfers (out)	(4,700)	(4,700)	-
Total other financing sources (uses)	<u>(4,700)</u>	<u>113,685</u>	<u>118,385</u>
Changes in fund balance	(341,523)	238,312	579,835
Fund balance - beginning	<u>417,768</u>	<u>417,768</u>	<u>-</u>
Fund balance - ending	<u>\$ 76,245</u>	<u>\$ 656,080</u>	<u>\$ 579,835</u>

SPECIAL REVENUE FUND - TECHNOLOGY REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final
	Final	Actual	Budget
Revenues			
Investment earnings	\$ 8,000	\$ 892	\$ (7,108)
Total revenues	<u>8,000</u>	<u>892</u>	<u>(7,108)</u>
Expenditures			
Current:			
General government	616,045	129,751	486,294
Capital outlay	<u>585,334</u>	<u>35,405</u>	<u>549,929</u>
Total expenditures	<u>1,201,379</u>	<u>165,156</u>	<u>1,036,223</u>
Other Financing Sources (Uses)			
Transfers in	895,167	895,167	-
Total other financing sources (uses)	<u>895,167</u>	<u>895,167</u>	<u>-</u>
Changes in fund balance	(298,212)	730,903	1,029,115
Fund balance - beginning	<u>1,643,379</u>	<u>1,643,379</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,345,167</u>	<u>\$ 2,374,282</u>	<u>\$ 1,029,115</u>

SPECIAL REVENUE FUND - HURRICANE HARVEY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final
	Final	Actual	Budget
Revenues			
Intergovernmental	\$ 1,854,368	\$ 1,327,266	\$ (527,102)
Total revenues	<u>1,854,368</u>	<u>1,327,266</u>	<u>(527,102)</u>
Expenditures			
Current:			
Planning and community development	187,919	29,206	158,713
Capital outlay	<u>1,693,844</u>	<u>1,320,633</u>	<u>373,211</u>
Total expenditures	<u>1,881,763</u>	<u>1,349,839</u>	<u>531,924</u>
Other Financing Sources (Uses)			
Transfers in	22,787	-	(22,787)
Total other financing sources (uses)	<u>22,787</u>	<u>-</u>	<u>(22,787)</u>
Changes in fund balance	(4,608)	(22,573)	(17,965)
Fund balance - beginning	<u>46,767</u>	<u>46,767</u>	<u>-</u>
Fund balance - ending	<u>\$ 42,159</u>	<u>\$ 24,194</u>	<u>\$ (17,965)</u>

**GENERAL OBLIGATION BOND 2017 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2021

	Budgeted Amounts	Actual Amounts	Variance with Final
	Final	Actual	Budget
Revenues			
Investment earnings	\$ -	\$ 3,939	\$ 3,939
Total revenues	<u>-</u>	<u>3,939</u>	<u>3,939</u>
Expenditures			
Current:			
Highways and roads	80,474	44,504	35,970
Capital outlay	<u>8,055,857</u>	<u>4,729,870</u>	<u>3,325,987</u>
Total expenditures	<u>8,136,331</u>	<u>4,774,374</u>	<u>3,361,957</u>
Changes in fund balance	(8,136,331)	(4,770,435)	3,365,896
Fund balance - beginning	<u>8,327,476</u>	<u>8,327,476</u>	<u>-</u>
Fund balance - ending	<u>\$ 191,145</u>	<u>\$ 3,557,041</u>	<u>\$ 3,365,896</u>

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

For the Year Ended September 30, 2021

	<u>Budgeted</u> <u>Amounts Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Property taxes	\$ 3,608,900	\$ 3,615,327	\$ 6,427
Investment earnings	60,000	1,106	(58,894)
Total revenues	<u>3,668,900</u>	<u>3,616,433</u>	<u>(52,467)</u>
Expenditures			
Debt Service:			
Principal	2,645,100	2,645,100	-
Interest and other charges	2,534,793	2,530,993	3,800
Total expenditures	<u>5,179,893</u>	<u>5,176,093</u>	<u>3,800</u>
Revenues over (under) expenditures	(1,510,993)	(1,559,660)	(48,667)
Other Financing Sources (Uses)			
Transfers in	1,510,993	1,510,993	-
Total other financing sources (uses)	<u>1,510,993</u>	<u>1,510,993</u>	<u>-</u>
Changes in fund balance	-	(48,667)	(48,667)
Fund balance - beginning	<u>1,616,627</u>	<u>1,716,293</u>	<u>99,666</u>
Fund balance - ending	<u>\$ 1,616,627</u>	<u>\$ 1,667,626</u>	<u>\$ 50,999</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.

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
September 30, 2021

	<u>Sanitation</u>	<u>Drainage</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,351	\$ 208,297	\$ 218,648
Accounts Receivable, net of allowance for doubtful accounts	1,354,267	511,697	1,865,964
Due from other funds	582,680	928,581	1,511,261
Inventories	-	24,769	24,769
Prepaid items	4,899	3,266	8,165
Restricted cash and investments	-	133,292	133,292
Total current assets	<u>1,952,197</u>	<u>1,809,902</u>	<u>3,762,099</u>
Non-current assets:			
Capital assets not being depreciated:			
Land and improvements	-	315,941	315,941
Construction in progress	124,970	8,939,206	9,064,176
Capital assets (net of depreciation):			
Infrastructure	91,386	5,834,079	5,925,465
Buildings and improvements	359,140	-	359,140
Equipment and furniture	260,912	1,216,559	1,477,471
Licensed vehicles	2,153,942	658,858	2,812,800
Total non-current assets	<u>2,990,350</u>	<u>16,964,643</u>	<u>19,954,993</u>
Total Assets	<u>4,942,547</u>	<u>18,774,545</u>	<u>23,717,092</u>
Deferred Outflows of Resources			
Deferred outflows relating to pension activities	356,796	148,665	505,461
Total Deferred Outflows of Resources	<u>356,796</u>	<u>148,665</u>	<u>505,461</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	323,711	106,573	430,284
Due to other funds	10,980	-	10,980
Due to other governments	45,293	-	45,293
Unearned revenue	12,942	-	12,942
Long-term liabilities, due within one year	240,239	108,925	349,164
Total current Liabilities	<u>633,165</u>	<u>215,498</u>	<u>848,663</u>
Non-current liabilities:			
Long-term liabilities, due in more than one year	312,293	59,051	371,344
Net pension liability	1,404,415	585,173	1,989,588
Total non-current Liabilities	<u>1,716,708</u>	<u>644,224</u>	<u>2,360,932</u>
Total Liabilities	<u>2,349,873</u>	<u>859,722</u>	<u>3,209,595</u>
Deferred Inflows of Resources			
Deferred inflows relating to pension activities	516,375	215,156	731,531
Total Deferred Inflows of Resources	<u>516,375</u>	<u>215,156</u>	<u>731,531</u>
Net Position			
Net investment in capital assets	2,990,350	16,964,643	19,954,993
Unrestricted	(557,255)	883,689	326,434
Total Net Position	<u>\$ 2,433,095</u>	<u>\$ 17,848,332</u>	<u>\$ 20,281,427</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS**

For the Year Ended September 30, 2021

	<u>Sanitation</u>	<u>Drainage</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 6,380,263	\$ 2,822,591	\$ 9,202,854
Miscellaneous	145,734	32,376	178,110
Total operating revenues	<u>6,525,997</u>	<u>2,854,967</u>	<u>9,380,964</u>
Operating Expenses			
Personnel services	3,845,499	1,712,719	5,558,218
Contractual services	2,330,026	414,432	2,744,458
Supplies and materials	106,047	114,391	220,438
Other expenses	167,228	147,556	314,784
Depreciation	600,403	744,399	1,344,802
Total operating expenses	<u>7,049,203</u>	<u>3,133,497</u>	<u>10,182,700</u>
Operating income (loss)	<u>(523,206)</u>	<u>(278,530)</u>	<u>(801,736)</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	160	710	870
Gain(Loss) on disposal of capital assets	5,744	13,237	18,981
Interest expense	(44)	(29)	(73)
Total non-operating revenue (expenses)	<u>5,860</u>	<u>13,918</u>	<u>19,778</u>
Income (loss) before contributions and transfers	<u>(517,346)</u>	<u>(264,612)</u>	<u>(781,958)</u>
Capital contributions	-	5,398,388	5,398,388
Transfers in	57,000	-	57,000
Transfers (out)	(590,700)	(211,330)	(802,030)
Change in net position	<u>(1,051,046)</u>	<u>4,922,446</u>	<u>3,871,400</u>
Net position - beginning	<u>3,484,141</u>	<u>12,925,886</u>	<u>16,410,027</u>
Net position - ending	<u>\$ 2,433,095</u>	<u>\$ 17,848,332</u>	<u>\$ 20,281,427</u>

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS**
For the Year Ended September 30, 2021

	Sanitation	Drainage	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 6,636,782	\$ 1,953,338	\$ 8,590,120
Miscellaneous	145,734	32,376	178,110
Disbursed for employee services	(3,862,838)	(1,829,226)	(5,692,064)
Disbursed for goods and services	(2,579,426)	(670,554)	(3,249,980)
Net cash provided (used) by operating activities	<u>340,252</u>	<u>(514,066)</u>	<u>(173,814)</u>
Cash Flows from Non-Capital Financial Activities:			
Transfers from other funds	57,000	-	57,000
Transfers to other funds	(590,700)	(211,330)	(802,030)
Net cash provided (used) by noncapital financing activities	<u>(533,700)</u>	<u>(211,330)</u>	<u>(745,030)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the sale of equipment	5,744	13,237	18,981
Interest expense	(44)	(29)	(73)
Acquisition and construction of capital assets	(263,896)	(35,266)	(299,162)
Net cash provided (used) by capital and related financing activities	<u>(258,196)</u>	<u>(22,058)</u>	<u>(280,254)</u>
Cash Flows from Investing Activities			
Interest received	160	710	870
Net cash provided (used) by investing activities	<u>160</u>	<u>710</u>	<u>870</u>
Net increase (decrease) in cash and equivalents	(451,484)	(746,744)	(1,198,228)
Cash and equivalents, beginning of year	461,835	1,088,333	1,550,168
Cash and equivalents, at end of year	<u>\$ 10,351</u>	<u>\$ 341,589</u>	<u>\$ 351,940</u>
Unrestricted cash and equivalents	\$ 10,351	\$ 208,297	218,648
Restricted cash and equivalents	-	133,292	133,292
	<u>\$ 10,351</u>	<u>\$ 341,589</u>	<u>\$ 351,940</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (523,206)	\$ (278,530)	(801,736)
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	600,403	744,399	1,344,802
(Increase) decrease in accounts receivable	114,583	58,684	173,267
(Increase) decrease in inventories	-	(18,189)	(18,189)
(Increase) decrease in prepaid items	1,240	827	2,067
(Increase) decrease in interfund receivables and payables	143,429	(927,937)	(784,508)
(Increase) decrease in deferred outflows/inflows relating to pension activities	200,279	86,840	287,119
Increase (decrease) in accounts payable and accrued expenses	23,821	23,188	47,009
Increase (decrease) in compensated absences payable	(24,218)	10,387	(13,831)
Increase (decrease) in deferred revenue	(2,678)	-	(2,678)
Increase (decrease) in net pension liability	(193,401)	(213,735)	(407,136)
Net cash provided by operating activities	<u>\$ 340,252</u>	<u>\$ (514,066)</u>	<u>\$ (173,814)</u>
Non-cash Transactions:			
Capital contributions	\$ -	\$ 5,398,388	\$ 5,398,388

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 38,575,040	\$ 37,183,780	\$ -	\$ 37,183,780	\$ (1,391,260)
Lease revenue	-	39,596	-	39,596	39,596
Miscellaneous	-	108,286	-	108,286	108,286
Total operating revenues	<u>38,575,040</u>	<u>37,331,662</u>	<u>-</u>	<u>37,331,662</u>	<u>(1,243,378)</u>
Operating Expenses					
Personnel services	9,188,115	8,947,764	(98,187) ^{1,10}	8,849,577	338,538
Contractual services	3,286,208	4,696,194	(1,425,601) ^{2,10}	3,270,593	15,615
Supplies and materials	2,508,021	2,511,829	(23,080) ¹¹	2,488,749	19,272
Surface water contract	10,862,828	7,828,983	3,033,283 ³	10,862,266	562
Other expenses	1,729,841	1,781,697	(468,774) ¹⁰	1,312,923	416,918
Administration charge	1,397,000	-	1,397,000 ⁵	1,397,000	-
Depreciation	-	9,172,347	(9,172,347) ⁶	-	-
Capital outlay	663,885	-	659,006 ⁷	659,006	4,879
Total operating expenses	<u>29,635,898</u>	<u>34,938,814</u>	<u>(6,098,700)</u>	<u>28,840,114</u>	<u>795,784</u>
Operating income (loss)	<u>8,939,142</u>	<u>2,392,848</u>	<u>6,098,700</u>	<u>8,491,548</u>	<u>(447,594)</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	107,000	51,400	-	51,400	(55,600)
Principal expenditure	(5,111,300)	-	(3,446,500) ³	(3,446,500)	1,664,800
Gain(Loss) on disposal of capital assets	-	(65,040)	-	(65,040)	(65,040)
Interest expense	(3,950,164)	(4,030,515)	217,352 ⁸	(3,813,163)	137,001
Total non-operating revenue (expenses)	<u>(8,954,464)</u>	<u>(4,044,155)</u>	<u>(3,229,148)</u>	<u>(7,273,303)</u>	<u>1,681,161</u>
Income (loss) before contributions and transfers	<u>(15,322)</u>	<u>(1,651,307)</u>	<u>2,869,552</u>	<u>1,218,245</u>	<u>1,233,567</u>
Capital contributions	-	69,154	(69,154) ⁹	-	-
Transfers (out)	(1,837,317)	(2,376,893)	1,397,000 ^{4,5}	(979,893)	857,424
Change in net position	<u>(1,852,639)</u>	<u>(3,959,046)</u>	<u>4,197,398</u>	<u>238,352</u>	<u>2,090,991</u>
Net position - beginning	<u>256,222,581</u>	<u>261,305,194</u>	<u>(2,385,163)</u>	<u>258,920,041</u>	<u>2,697,460</u>
Net position - ending	<u>\$ 254,369,942</u>	<u>\$ 257,346,148</u>	<u>\$ 1,812,235</u>	<u>\$ 259,158,393</u>	<u>\$ 4,788,451</u>

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

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

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

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

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

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

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

8) This represents the bond issuance costs of refunding series 2021 which are non-cash expenses and therefore not budgeted.

9) Capital contributions are not budgeted items.

10) This represents non-budgeted Improvement Fund transactions.

11) Year end inventory adjustments are not budgeted items.

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 6,379,364	\$ 6,380,263	\$ -	\$ 6,380,263	\$ 899
Miscellaneous	-	145,734	-	145,734	145,734
Total operating revenues	<u>6,379,364</u>	<u>6,525,997</u>	<u>-</u>	<u>6,525,997</u>	<u>146,633</u>
Operating Expenses					
Personnel services	3,864,882	3,845,499	19,382 ¹	3,864,881	1
Contractual services	2,333,656	2,330,026	586 ⁵	2,330,612	3,044
Supplies and materials	106,047	106,047	-	106,047	-
Other expenses	166,686	167,228	(542) ⁵	166,686	-
Administration charge	255,000	-	255,000 ²	255,000	-
Depreciation	-	600,403	(600,403) ³	-	-
Capital outlay	206,896	-	206,897 ⁴	206,897	(1)
Total operating expenses	<u>6,933,167</u>	<u>7,049,203</u>	<u>(119,080)</u>	<u>6,930,123</u>	<u>3,044</u>
Operating income (loss)	<u>(553,803)</u>	<u>(523,206)</u>	<u>119,080</u>	<u>(404,126)</u>	<u>149,677</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	7,500	160	-	160	(7,340)
Gain (loss) on disposal of capital assets	-	5,744	-	5,744	5,744
Interest Expense	-	(44)	44 ⁵	-	-
Total non-operating revenue (expenses)	<u>7,500</u>	<u>5,860</u>	<u>44</u>	<u>5,904</u>	<u>(1,596)</u>
Income (loss) before contributions and transfers	<u>(546,303)</u>	<u>(517,346)</u>	<u>119,124</u>	<u>(398,222)</u>	<u>148,081</u>
Transfers in	-	57,000	-	57,000	57,000
Transfers (out)	(335,700)	(590,700)	255,000 ²	(335,700)	-
Change in net position	<u>(882,003)</u>	<u>(1,051,046)</u>	<u>374,124</u>	<u>(676,922)</u>	<u>205,081</u>
Net position - beginning	<u>1,991,064</u>	<u>3,484,141</u>	<u>242,967</u>	<u>3,727,106</u>	<u>1,736,042</u>
Net position - ending	<u>\$ 1,109,061</u>	<u>\$ 2,433,095</u>	<u>\$ 617,091</u>	<u>\$ 3,050,184</u>	<u>\$ 1,941,123</u>

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

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

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

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

5) This represents principal and interest lease payments that are budgeted with contractual services.

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 2,890,900	\$ 2,822,591	\$ -	\$ 2,822,591	\$ (68,309)
Miscellaneous	-	32,376	-	32,376	32,376
Total operating revenues	<u>2,890,900</u>	<u>2,854,967</u>	<u>-</u>	<u>2,854,967</u>	<u>(35,933)</u>
Operating Expenses					
Personnel services	1,943,130	1,712,719	188,730 ^{1,6}	1,901,449	41,681
Contractual services	504,101	414,432	29 ⁷	414,461	89,640
Supplies and materials	120,860	114,391	-	114,391	6,469
Other expenses	90,308	147,556	(77,869) ³	69,687	20,621
Administration charge	108,000	-	108,000 ²	108,000	-
Capital outlay	221,670	-	-	-	221,670
Depreciation	-	744,399	(744,399) ⁴	-	-
Total operating expenses	<u>2,988,069</u>	<u>3,133,497</u>	<u>(525,509)</u>	<u>2,607,988</u>	<u>380,081</u>
Operating income (loss)	<u>(97,169)</u>	<u>(278,530)</u>	<u>525,509</u>	<u>246,979</u>	<u>344,148</u>
Non-Operating Revenues (Expenses)					
Interest and investment revenue	15,000	710	(95) ⁶	615	(14,385)
Interest expense	-	(29)	29 ⁷	-	-
Gain (loss) on disposal of capital assets	-	13,237	-	13,237	13,237
Total non-operating revenue (expenses)	<u>15,000</u>	<u>13,918</u>	<u>(66)</u>	<u>13,852</u>	<u>(1,148)</u>
Income (loss) before contributions and transfers	<u>(82,169)</u>	<u>(264,612)</u>	<u>525,443</u>	<u>260,831</u>	<u>343,000</u>
Capital contributions	-	5,398,388	(5,398,388) ⁵	-	-
Transfers (out)	(103,330)	(211,330)	108,000 ²	(103,330)	-
Change in net position	<u>(185,499)</u>	<u>4,922,446</u>	<u>(4,764,945)</u>	<u>157,501</u>	<u>343,000</u>
Net position - beginning	<u>11,058,055</u>	<u>12,925,886</u>	<u>(1,885,530)</u>	<u>11,040,359</u>	<u>(17,696)</u>
Net position - ending	<u>\$ 10,872,556</u>	<u>\$ 17,848,332</u>	<u>\$ (6,650,475)</u>	<u>\$ 11,197,860</u>	<u>\$ 325,304</u>

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

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

3) This represents project management costs that were budgeted in personnel.

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

5) Capital contributions are not budgeted items.

6) This represents non-budgeted Improvement Fund transactions.

7) This represents interest lease payments that are budgeted with contractual services.

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

For the Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts		Actual - Budgetary Basis	Variance with Final Budget
		Actual	Reconciling Items		
Operating Revenues					
Charges for services	\$ 1,123,170	\$ 177,115	\$ -	\$ 177,115	\$ (946,055)
Lease revenue	-	902,884	-	902,884	902,884
Miscellaneous	-	34,635	-	34,635	34,635
Total operating revenues	<u>1,123,170</u>	<u>1,114,634</u>	<u>-</u>	<u>1,114,634</u>	<u>(8,536)</u>
Operating Expenses					
Personnel services	449,121	457,830	(9,650) ¹	448,180	941
Contractual services	239,104	181,618	57,043 ³	238,661	443
Supplies and materials	73,700	70,133	-	70,133	3,567
Other expenses	317,307	316,063	-	316,063	1,244
Administrative charge	40,000	-	40,000 ²	40,000	-
Capital outlay	292,635	-	(8,694) ³	(8,694)	301,329
Depreciation	-	1,147,783	(1,147,783) ⁴	-	-
Total operating expenses	<u>1,411,867</u>	<u>2,173,427</u>	<u>(1,069,084)</u>	<u>1,104,343</u>	<u>307,524</u>
Operating income (loss)	<u>(288,697)</u>	<u>(1,058,793)</u>	<u>1,069,084</u>	<u>10,291</u>	<u>298,988</u>
Non-Operating Revenues (Expenses)					
Intergovernmental grants	50,000	50,000	-	50,000	-
Interest and investment revenue	12,000	521,715	(668) ⁶	521,047	509,047
Gain (loss) on disposal of capital assets	-	81,124	-	81,124	81,124
Total non-operating revenue (expenses)	<u>62,000</u>	<u>652,839</u>	<u>(668)</u>	<u>652,171</u>	<u>590,171</u>
Income (loss) before contributions and transfers	<u>(226,697)</u>	<u>(405,954)</u>	<u>1,068,416</u>	<u>662,462</u>	<u>889,159</u>
Transfers (out)	<u>(23,296)</u>	<u>(63,296)</u>	<u>40,000</u> ^{5,6}	<u>(23,296)</u>	<u>-</u>
Change in net position	<u>(249,993)</u>	<u>(469,250)</u>	<u>1,108,416</u>	<u>639,166</u>	<u>889,159</u>
Net position - beginning	<u>22,497,041</u>	<u>25,902,273</u>	<u>(3,009,275)</u>	<u>22,893,002</u>	<u>395,961</u>
Net position - ending	<u>\$ 22,247,048</u>	<u>\$ 25,433,023</u>	<u>\$ (1,900,859)</u>	<u>\$ 23,532,168</u>	<u>\$ 1,285,120</u>

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

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

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

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

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

6) This represents non-budgeted Improvement Fund transactions.

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, 2021

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,101,099	\$ 638,519	\$ 1,579,949	\$ 380,742
Accounts receivable, net of allowance for doubtful accounts	29,562	-	-	-
Due from other funds	77,486	-	-	-
Due from component units	-	-	-	-
Inventories	367,902	-	-	-
Prepaid items	-	509,026	103,842	567
Total current assets	<u>1,576,049</u>	<u>1,147,545</u>	<u>1,683,791</u>	<u>381,309</u>
Non-current assets:				
Capital assets not being depreciated:				
Construction in progress	380,597	-	35,405	-
Capital assets (net of depreciation):				
Buildings and improvements	20,979	-	3,512,190	-
Equipment and furniture	66,171	-	983,544	-
Licensed vehicles	248,581	-	112,978	-
Total non-current assets	<u>716,328</u>	<u>-</u>	<u>4,644,117</u>	<u>-</u>
Total Assets	<u>2,292,377</u>	<u>1,147,545</u>	<u>6,327,908</u>	<u>381,309</u>
Deferred Outflows of Resources				
Deferred outflows relating to OPEB	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	204,211	130,993	193,595	112,395
Long-term liabilities, due within one year	104,887	15,891	324,235	92,276
Total current liabilities	<u>309,098</u>	<u>146,884</u>	<u>517,830</u>	<u>204,671</u>
Non-current liabilities:				
Long-term liabilities, due in more than one year	177,355	18,730	246,245	123,211
Total OPEB liability	-	-	-	-
Total non-current liabilities	<u>177,355</u>	<u>18,730</u>	<u>246,245</u>	<u>123,211</u>
Total Liabilities	<u>486,453</u>	<u>165,614</u>	<u>764,075</u>	<u>327,882</u>
Deferred Inflows of Resources				
Deferred inflows relating to OPEB	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	716,328	-	4,644,117	-
Unrestricted	1,089,596	981,931	919,716	53,427
Total Net Position	<u>\$ 1,805,924</u>	<u>\$ 981,931</u>	<u>\$ 5,563,833</u>	<u>\$ 53,427</u>

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 244,162	\$ 3,308,389	\$ 7,252,860
-	276,925	306,487
-	-	77,486
-	68,795	68,795
-	-	367,902
-	-	613,435
<u>244,162</u>	<u>3,654,109</u>	<u>8,686,965</u>
-	-	416,002
-	-	3,533,169
-	-	1,049,715
-	-	361,559
-	-	5,360,445
<u>244,162</u>	<u>3,654,109</u>	<u>14,047,410</u>
-	5,395,132	5,395,132
-	5,395,132	5,395,132
50,010	488,608	1,179,812
283,317	829,749	1,650,355
<u>333,327</u>	<u>1,318,357</u>	<u>2,830,167</u>
358,679	-	924,220
-	14,665,606	14,665,606
<u>358,679</u>	<u>14,665,606</u>	<u>15,589,826</u>
<u>692,006</u>	<u>15,983,963</u>	<u>18,419,993</u>
-	2,175,514	2,175,514
-	2,175,514	2,175,514
-	-	5,360,445
(447,844)	(9,110,236)	(6,513,410)
<u>\$ (447,844)</u>	<u>\$ (9,110,236)</u>	<u>\$ (1,152,965)</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2021

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Operating Revenues				
Charges for services	\$ 4,442,816	\$ 2,149,637	\$ 4,238,062	\$ 1,376,341
Miscellaneous	505,905	1,123	189,941	-
Total operating revenues	<u>4,948,721</u>	<u>2,150,760</u>	<u>4,428,003</u>	<u>1,376,341</u>
Operating Expenses				
Personnel services	1,406,308	143,612	2,212,182	1,231,412
Contractual services	1,504,115	26,573	1,349,502	103,563
Supplies and materials	2,059,300	543	254,087	1,342
Insurance claims and premiums	-	1,458,239	-	-
Other expenses	3,612	-	7,074	6,596
Depreciation	46,243	-	530,958	-
Total operating expenses	<u>5,019,578</u>	<u>1,628,967</u>	<u>4,353,803</u>	<u>1,342,913</u>
Operating income (loss)	<u>(70,857)</u>	<u>521,793</u>	<u>74,200</u>	<u>33,428</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	463	99	1,003	67
Insurance proceeds	339,370	-	-	-
Interest expense	(290)	-	(10,427)	(1,200)
Gain (loss) on disposal of capital assets	27,021	-	1,774	-
Total non-operating revenue (expenses)	<u>366,564</u>	<u>99</u>	<u>(7,650)</u>	<u>(1,133)</u>
Income (loss) before capital contributions and transfers	295,707	521,892	66,550	32,295
Transfers in	64,949	-	-	-
Transfers (out)	(57,140)	(61,762)	(327,283)	-
Change in net position	<u>303,516</u>	<u>460,130</u>	<u>(260,733)</u>	<u>32,295</u>
Total net position - beginning	<u>1,502,408</u>	<u>521,801</u>	<u>5,824,566</u>	<u>21,132</u>
Total net position - ending	<u>\$ 1,805,924</u>	<u>\$ 981,931</u>	<u>\$ 5,563,833</u>	<u>\$ 53,427</u>

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ 449,184	\$ 12,801,125	\$ 25,457,165
10,650	-	707,619
<u>459,834</u>	<u>12,801,125</u>	<u>26,164,784</u>
-	-	4,993,514
-	2,508,846	5,492,599
-	-	2,315,272
415,994	11,278,209	13,152,442
-	651,286	668,568
-	-	577,201
<u>415,994</u>	<u>14,438,341</u>	<u>27,199,596</u>
<u>43,840</u>	<u>(1,637,216)</u>	<u>(1,034,812)</u>
121	308	2,061
-	-	339,370
-	-	(11,917)
-	-	28,795
<u>121</u>	<u>308</u>	<u>358,309</u>
43,961	(1,636,908)	(676,503)
-	1,748,303	1,813,252
-	-	(446,185)
<u>43,961</u>	<u>111,395</u>	<u>690,564</u>
<u>(491,805)</u>	<u>(9,221,631)</u>	<u>(1,843,529)</u>
<u>\$ (447,844)</u>	<u>\$ (9,110,236)</u>	<u>\$ (1,152,965)</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2021

	Central Garage	Casualty & Liability Insurance	Central Service	Construction Management
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 378,413	\$ -	\$ -	\$ -
Miscellaneous	505,906	1,123	189,941	-
Receipts for interfund services	4,018,195	2,149,637	4,238,062	1,376,341
Disbursed for personnel services	(1,381,822)	(125,809)	(2,223,636)	(1,263,480)
Disbursed for goods and services	(3,617,762)	(1,360,947)	(1,478,873)	(39)
Net cash provided (used) by operating activities	(97,070)	664,004	725,494	112,822
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	64,949	-	-	-
Transfers to other funds	(57,140)	(61,762)	(327,283)	-
Net cash provided (used) by noncapital financing activities	7,809	(61,762)	(327,283)	-
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the sale of equipment	27,021	-	1,774	-
Insurance proceeds	339,370	-	-	-
Principal payments on debt	-	-	(129,148)	-
Interest payments on debt	(290)	-	(10,427)	(1,200)
Acquisition and construction of capital assets	32,778	-	(35,405)	-
Net cash provided (used) by capital and related financing activities	398,879	-	(173,206)	(1,200)
Cash Flows from Investing Activities				
Interest received	463	99	1,002	67
Net cash provided (used) by investing activities	463	99	1,002	67
Net increase/(decrease) in cash and equivalents	310,081	602,341	226,007	111,689
Cash and equivalents, beginning of year	791,018	36,178	1,353,942	269,053
Cash and equivalents, at end of year	\$ 1,101,099	\$ 638,519	\$ 1,579,949	\$ 380,742
Unrestricted cash and equivalents	1,101,099	638,519	1,579,949	380,742
	<u>\$ 1,101,099</u>	<u>\$ 638,519</u>	<u>\$ 1,579,949</u>	<u>\$ 380,742</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	(70,857)	521,793	74,200	33,428
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	46,243	-	530,958	-
(Increase) decrease in accounts receivable	18,741	34,123	-	-
(Increase) decrease in inventory	(99,602)	-	-	-
(Increase) decrease in prepaid items	-	9,140	(4,909)	-
(Increase) decrease in interfund receivables and payables	(64,949)	-	-	-
(Increase) decrease in deferred outflows/inflows relating to OPEB	-	-	-	-
Increase (decrease) in accounts payable	48,868	115,268	136,699	111,462
Increase (decrease) in claims payable	-	-	-	-
Increase (decrease) in compensated absences payables	24,486	(16,320)	(11,454)	(32,068)
Increase (decrease) in total OPEB liability	-	-	-	-
Net cash provided (used) by operating activities	\$ (97,070)	\$ 664,004	\$ 725,494	\$ 112,822

Workers' Compensation Insurance	Health and Life Insurance	Total
\$ -	\$ 13,736,636	\$ 14,115,049
10,650	-	707,620
449,184	-	12,231,419
-	-	(4,994,747)
(463,846)	(13,681,614)	(20,603,081)
<u>(4,012)</u>	<u>55,022</u>	<u>1,456,260</u>
-	1,748,303	1,813,252
-	-	(446,185)
-	1,748,303	1,367,067
-	-	28,795
-	-	339,370
-	-	(129,148)
-	-	(11,917)
-	-	(2,627)
-	-	224,473
121	308	2,060
<u>121</u>	<u>308</u>	<u>2,060</u>
(3,891)	1,803,633	3,049,860
248,053	1,504,756	4,203,000
<u>\$ 244,162</u>	<u>\$ 3,308,389</u>	<u>\$ 7,252,860</u>
244,162	3,308,389	7,252,860
<u>\$ 244,162</u>	<u>\$ 3,308,389</u>	<u>\$ 7,252,860</u>
43,840	(1,637,216)	(1,034,812)
-	-	577,201
-	935,511	988,375
-	-	(99,602)
-	-	4,231
-	-	(64,949)
-	(2,490,158)	(2,490,158)
34,744	92,121	539,162
(82,596)	(130,891)	(213,487)
-	-	(35,356)
-	3,285,655	3,285,655
<u>\$ (4,012)</u>	<u>\$ 55,022</u>	<u>\$ 1,456,260</u>

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PENSION TRUST 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, 2019.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
 December 31, 2020

	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	City of Galveston Employee's Retirement Plan for Police	Total
Assets				
Cash and temporary investments	\$ -	\$ 1,015,222	\$ -	\$ 1,015,222
Receivables				
Interest and dividends	-	56,210	-	56,210
Loans to participants	-	-	268,174	268,174
Prepaid items		757	-	757
Investments				
Money market funds	1,465,093	-	719,462	2,184,555
U.S. Government agencies	-	-	194,755	194,755
Bonds	-	-	5,842,444	5,842,444
Common stocks	-	25,309,524	-	25,309,524
Equity mutual funds	45,667,345	9,090,752	15,396,713	70,154,810
Bond mutual funds	15,911,788	10,501,766	-	26,413,554
Alternative investments	-	1,272,762	-	1,272,762
Hedge funds	-	4,873,670	-	4,873,670
Real estate	-	1,434,556	350,023	1,784,579
Total Assets	<u>63,044,226</u>	<u>53,555,219</u>	<u>22,771,571</u>	<u>139,371,016</u>
Liabilities				
Accounts and refunds payable	-	6,785	-	6,785
Total Liabilities	<u>-</u>	<u>6,785</u>	<u>-</u>	<u>6,785</u>
Net Position - Restricted for Pension Benefits				
Held in trust for benefits and other purposes	63,044,226	53,548,434	22,771,571	139,364,231
Total Net Position - Restricted for Pension Benefits	<u>\$ 63,044,226</u>	<u>\$ 53,548,434</u>	<u>\$ 22,771,571</u>	<u>\$ 139,364,231</u>

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2020

	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	City of Galveston Employee's Retirement Plan for Police	Total
Additions				
Contributions:				
Employer	\$ 2,486,763	\$ 1,471,714	\$ 2,443,661	\$ 6,402,138
Plan members	1,658,767	1,558,302	1,588,346	4,805,415
Total contributions	<u>4,145,530</u>	<u>3,030,016</u>	<u>4,032,007</u>	<u>11,207,553</u>
Investment Earnings:				
Net increase (decrease) in fair value of investments	5,370,077	5,208,518	546,227	11,124,822
Interest and dividends	994,936	903,737	496,525	2,395,198
Less investment expenses	(117,243)	(236,383)	(70,094)	(423,720)
Net investment income (loss)	<u>6,247,770</u>	<u>5,875,872</u>	<u>972,658</u>	<u>13,096,300</u>
Total Additions	<u>10,393,300</u>	<u>8,905,888</u>	<u>5,004,665</u>	<u>24,303,853</u>
Deductions				
Benefits paid to members and beneficiaries	4,712,170	3,765,145	4,044,672	12,521,987
Refunds of contributions	-	510,577	-	510,577
Administrative expenses	134,810	112,582	141,233	388,625
Total Deductions	<u>4,846,980</u>	<u>4,388,304</u>	<u>4,185,905</u>	<u>13,421,189</u>
Change in net position	5,546,320	4,517,584	818,760	10,882,664
Net position - restricted for pensions , beginning of year	<u>57,497,906</u>	<u>49,030,850</u>	<u>21,952,811</u>	<u>128,481,567</u>
Net position - restricted for pensions , end of year	<u>\$ 63,044,226</u>	<u>\$ 53,548,434</u>	<u>\$ 22,771,571</u>	<u>\$ 139,364,231</u>

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DISCRETELY PRESENTED COMPONENT UNITS

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

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 **Galveston Island Redevelopment Authority** (GIRDA) has oversight responsibility for tax increment reinvestment zone thirteen. This tax zone was established to provide funds for development and improvement projects within a specific geographic area of the City.

The **Campeche Shores Public Improvement District** (Campeche District) was established by the City to provide funds for development and improvement projects specifically for Campeche Shores District.

The **Beachside Village Public Improvement District** (Beachside District) was established by the City to provide funds for street, drainage and utility public improvement projects, specifically in Beachside Village Public Improvement District.

The **Bayside at Waterman's Public Improvement District** was established by the City according to the law of the Texas Local Government Code Chapter 372 Subchapter A 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.

The **Board of Trustees of the Galveston Wharves** (Galveston Wharves) was created by the City Charter to manage, control, and maintain the wharves.

DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2021

	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	\$ 19,855,885	\$ 248,160	\$ -	\$ -
Investments	-	-	-	-
Accounts receivable, net of allowance for doubtful accounts	2,454,385	107,573	7,350	12,802
Inventories	9,925	-	-	-
Prepaid items	435,081	-	-	-
Other	7,300	-	-	-
Restricted cash and temporary investments	24,321	-	-	-
Total current assets	<u>22,786,897</u>	<u>355,733</u>	<u>7,350</u>	<u>12,802</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)	288,071,067	-	-	-
Total non-current assets	<u>289,547,292</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>312,334,189</u>	<u>355,733</u>	<u>7,350</u>	<u>12,802</u>
Deferred Outflows of Resources				
Deferred charge on refunding	-	-	-	-
Deferred outflows relating to pension activities	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	2,512,674	4,648,149	-	-
Due to other governments	712,525	-	-	-
Interest payable	1,978	-	-	-
Deferred revenue	-	-	-	-
Due within one year	332,005	-	-	-
Total current liabilities	<u>3,559,182</u>	<u>4,648,149</u>	<u>-</u>	<u>-</u>
Non-current liabilities:				
Due in more than one year	1,118,397	11,884,990	-	-
Net pension liability	-	-	-	-
Total non-current liabilities	<u>1,118,397</u>	<u>11,884,990</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>4,677,579</u>	<u>16,533,139</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	-
Deferred income	209,241	-	-	-
Deferred inflows relating to pension activities	-	-	-	-
Total Deferred Inflows of Resources	<u>209,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	288,360,497	-	-	-
Restricted:				
Debt service	399,063	-	-	-
Unrestricted	18,687,809	(16,177,406)	7,350	12,802
Total Net Position	<u>\$ 307,447,369</u>	<u>\$ (16,177,406)</u>	<u>\$ 7,350</u>	<u>\$ 12,802</u>

*As of December 31, 2020

Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Total
\$ 843,833	\$ 23,627,197	\$ 44,575,075
-	-	-
-	5,519,795	8,101,905
-	-	9,925
-	666,530	1,101,611
-	199,149	206,449
-	15,327,609	15,351,930
<u>843,833</u>	<u>45,340,280</u>	<u>69,346,895</u>
-	1,062,113	1,062,113
-	34,561,024	36,037,249
<u>5,594,558</u>	<u>107,730,657</u>	<u>401,396,282</u>
<u>5,594,558</u>	<u>143,353,794</u>	<u>438,495,644</u>
<u>6,438,391</u>	<u>188,694,074</u>	<u>507,842,539</u>
112,389	-	112,389
-	363,085	363,085
<u>112,389</u>	<u>363,085</u>	<u>475,474</u>
-	7,104,170	14,264,993
-	189,245	901,770
-	508,747	510,725
-	531,681	531,681
<u>200,000</u>	<u>4,410,755</u>	<u>4,942,760</u>
<u>200,000</u>	<u>12,744,598</u>	<u>21,151,929</u>
8,600,000	27,879,614	49,483,001
-	1,711,050	1,711,050
<u>8,600,000</u>	<u>29,590,664</u>	<u>51,194,051</u>
<u>8,800,000</u>	<u>42,335,262</u>	<u>72,345,980</u>
-	-	-
-	-	209,241
-	1,427,451	1,427,451
-	1,427,451	1,636,692
(3,093,053)	119,342,705	404,610,149
-	6,487,326	6,886,389
<u>843,833</u>	<u>19,464,415</u>	<u>22,838,803</u>
<u>\$ (2,249,220)</u>	<u>\$ 145,294,446</u>	<u>\$ 434,335,341</u>

DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Capital Grants and Contributions	Park Board of Trustees	Galveston Island Redevelopment Authority
Component Unit:					
Park Board of Trustees	\$ 33,660,386	\$ 9,159,660	\$ 655,172	\$ (23,845,554)	
Galveston Island Redevelopment Authority	872,480	-	-		(872,480)
Campeche Shores - Public Improvement District No. 1	90,605	-	-		
Beachside Village - Public Improvement District	105,572	-	-		
Bayside at Waterman's - Public Improvement District	825,496	-	-		
Board of Trustees of Galveston Wharves*	28,182,978	27,358,135	1,431,334		
	<u>\$ 63,737,517</u>	<u>\$ 36,517,795</u>	<u>\$ 2,086,506</u>	<u>(23,845,554)</u>	<u>(872,480)</u>
General revenues					
Taxes:					
Property taxes				-	895,165
Hotel occupancy taxes				15,969,817	-
Special assessments				-	-
Miscellaneous				2,277,767	-
Unrestricted investment earnings				13,408	73
Total general revenues				<u>18,260,992</u>	<u>895,238</u>
Change in net position				(5,584,562)	22,758
Net position (deficit) - beginning				<u>311,062,026</u>	<u>(16,200,164)</u>
Extraordinary item				-	-
Prior period adjustments				1,969,905	-
Net position (deficit) - ending				<u>\$ 307,447,369</u>	<u>\$ (16,177,406)</u>

*For the Year Ended December 31, 2020

**As restated.

Net (Expense) Revenue and Changes in Net Position

Campeche Shores - Public Improvement District No. 1	Beachside Village - Public Improvement District	Bayside at Waterman's - Public Improvement District	Board of Trustees of Galveston Wharves*	Totals
				\$ (23,845,554)
				(872,480)
(90,605)				(90,605)
	(105,572)			(105,572)
		(825,496)		(825,496)
			606,491	606,491
<u>(90,605)</u>	<u>(105,572)</u>	<u>(825,496)</u>	<u>606,491</u>	<u>(25,133,216)</u>
-	-	-	-	895,165
-	-	-	-	15,969,817
95,124	118,374	359,840	-	573,338
-	-	-	-	2,277,767
-	-	667	(1,261,082)	(1,246,934)
<u>95,124</u>	<u>118,374</u>	<u>360,507</u>	<u>(1,261,082)</u>	<u>18,469,153</u>
4,519	12,802	(464,989)	(654,591)	(6,664,063)
<u>2,831</u>	<u>-</u>	<u>(1,784,231)</u>	<u>145,949,037</u>	<u>439,029,499</u>
-	-	-	-	-
				1,969,905
<u>\$ 7,350</u>	<u>\$ 12,802</u>	<u>\$ (2,249,220)</u>	<u>\$ 145,294,446</u>	<u>\$ 434,335,341</u>

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Unaudited Statistical Section



2021 Annual Comprehensive Financial Report



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UNAUDITED STATISTICAL SECTION

This part of the City’s Annual Comprehensive 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 170

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue sources: sales and property taxes..... 180

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..... 186

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 190

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. 194

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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			
	2012	2013	2014	2015
Governmental Activities				
Net investment in capital assets	\$ 90,856	\$ 102,988	\$ 110,071	\$ 113,903
Restricted	25,670	22,388	26,170	35,409
Unrestricted	31,737	33,857	30,237	(27,164)
Total governmental activities net position	\$ 148,263	\$ 159,233	\$ 166,478	\$ 122,148
Business-type Activities				
Net investment in capital assets	\$ 80,157	\$ 181,656	\$ 181,656	\$ 178,032
Restricted	11,920	21,326	21,326	18,097
Unrestricted	70,504	18,221	18,220	39,681
Total business-type activities net position	\$ 162,581	\$ 221,203	\$ 221,202	\$ 235,810
Primary government				
Net investment in capital assets	\$ 171,013	\$ 284,644	\$ 291,727	\$ 291,935
Restricted	37,590	43,714	47,496	53,506
Unrestricted	102,241	52,078	48,457	12,517
Total primary government net position	\$ 310,844	\$ 380,436	\$ 387,680	\$ 357,958

* As restated.

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 131,335	\$ 147,847	\$ 170,911	\$ 191,799	\$ 198,501	\$ 191,088
32,732	34,264	33,271	31,559	32,664	35,470
(18,881)	(27,203)	(46,587)	(51,039)	(52,694)	(42,709)
<u>\$ 145,186</u>	<u>\$ 154,908</u>	<u>\$ 157,595</u>	<u>\$ 172,319</u>	<u>\$ 178,571</u>	<u>\$ 183,849</u>
\$ 193,491	\$ 240,169	\$ 255,587	\$ 277,164	\$ 282,578	\$ 277,342
15,706	2,937	3,196	2,674	2,749	-
45,169	28,429	23,274	21,056	17,775	24,475
<u>\$ 254,366</u>	<u>\$ 271,535</u>	<u>\$ 282,057</u>	<u>\$ 300,894</u>	<u>\$ 303,102</u>	<u>\$ 301,817</u>
\$ 324,826	\$ 388,016	\$ 426,498	\$ 468,963	\$ 481,079	\$ 468,430
48,438	37,201	36,467	34,233	35,413	35,470
26,288	1,226	(23,313)	(29,983)	(34,819)	(18,234)
<u>\$ 399,552</u>	<u>\$ 426,443</u>	<u>\$ 439,652</u>	<u>\$ 473,213</u>	<u>\$ 481,673</u>	<u>\$ 485,666</u>

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2012	2013	2014	2015
Expenses				
Governmental Activities:				
General government	\$ 5,164	\$ 6,874	\$ 7,864	\$ 8,284
Public Safety	26,919	28,075	29,542	32,840
Public works	6,925	6,847	6,504	6,570
Culture and recreation	9,672	9,082	11,300	12,240
Planning and community development	12,942	11,972	5,246	8,799
Transportation system	24,150	8,164	6,804	8,424
Interest on long-term debt	4,909	1,716	2,160	1,896
Total governmental activities expenses	<u>90,681</u>	<u>72,730</u>	<u>69,420</u>	<u>79,053</u>
Business-Type Activities:				
Combined utility system	24,992	25,659	26,907	22,494
Sanitation	4,176	4,382	4,781	2,537
Drainage	1,959	1,873	2,356	12,444
Airport	1,468	1,499	1,579	1,709
Total business-type activities expenses	<u>32,595</u>	<u>33,413</u>	<u>35,623</u>	<u>39,184</u>
Total primary government expenses	<u>123,276</u>	<u>106,143</u>	<u>105,043</u>	<u>118,237</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	2,159	1,884	1,873	1,977
Public safety	2,554	2,417	2,246	2,113
Public works	-	-	-	-
Culture and recreation	2	2	-	-
Planning and community development	1,379	1,402	1,845	2,002
Transportation system	840	1,575	1,875	1,365
Operating grants and contributions:				
General government	-	-	-	52
Public safety	181	249	254	279
Public works	-	-	-	-
Culture and recreation	116	139	180	103
Planning and community development	31,006	11,119	9,067	1,958
Transportation system	2,771	2,789	3,559	3,472
Capital grants and contributions:				
General government	-	-	-	2,396
Public safety	-	-	-	619
Public works	1,718	71	13	2,323
Culture and recreation	-	-	-	36
Planning and community development	23,385	27,313	24,112	23,824
Transportation system	3,525	3,858	799	5,424
Total governmental activities program revenues	<u>69,636</u>	<u>52,818</u>	<u>45,823</u>	<u>47,943</u>
Business-Type Activities				
Charges for services:				
Combined utility system	29,199	30,450	30,525	21,506
Sanitation	4,655	5,088	5,617	2,277
Drainage	2,517	2,564	2,584	11,540
Airport	1,186	1,236	1,230	1,594
Operating grants and contributions:				
Airport	-	-	-	69
Capital grants and contributions:				
Combined utility system	1,628	-	-	-
Drainage	330	-	-	46
Airport	2,413	26	999	896
Total business-type activities program revenues	<u>41,928</u>	<u>39,364</u>	<u>40,955</u>	<u>37,928</u>
Total primary government program revenues	<u>111,564</u>	<u>92,182</u>	<u>86,778</u>	<u>85,871</u>
Net (Expense) Revenue				
Governmental activities	(21,045)	(19,912)	(23,597)	(31,110)
Business-type activities	9,333	5,951	5,332	(1,256)
Total primary government net (expense) revenue	<u>\$ (11,712)</u>	<u>\$ (13,961)</u>	<u>\$ (18,265)</u>	<u>\$ (32,366)</u>

Fiscal Year						
2016	2017	2018	2019	2020	2021	
\$ 9,882	\$ 13,984	\$ 10,381	\$ 8,870	\$ 9,535	\$ 12,516	
31,839	34,793	36,194	38,415	40,476	40,159	
6,383	7,729	9,669	10,653	10,481	12,042	
18,416	18,754	17,633	19,637	17,350	23,608	
4,733	10,067	21,999	7,512	5,546	5,796	
6,013	5,705	5,125	4,693	4,224	4,203	
2,660	1,620	2,488	2,232	910	2,530	
<u>79,926</u>	<u>92,652</u>	<u>103,489</u>	<u>92,012</u>	<u>88,522</u>	<u>100,854</u>	
21,011	32,273	35,646	36,776	38,072	39,697	
2,949	5,739	6,566	5,342	6,830	7,049	
14,141	2,979	2,726	3,064	3,364	3,134	
1,774	1,887	1,796	1,768	1,958	2,174	
<u>39,875</u>	<u>42,878</u>	<u>46,734</u>	<u>46,950</u>	<u>50,224</u>	<u>52,054</u>	
<u>119,801</u>	<u>135,530</u>	<u>150,223</u>	<u>138,962</u>	<u>138,746</u>	<u>152,908</u>	
1,725	1,761	225	127	564	42	
2,378	2,658	1,870	2,017	1,759	1,899	
-	-	-	-	-	-	
42	198	1,436	1,604	1,575	2,791	
1,714	1,455	1,375	1,423	1,487	2,087	
1,681	1,568	1,166	446	229	155	
14	-	-	-	-	-	
2,613	930	333	601	941	204	
-	-	-	-	-	-	
1,885	109	196	100	125	100	
4,881	15,228	1,722	740	1,516	1,958	
3,506	2,792	2,293	2,061	2,668	2,652	
-	-	-	465	-	376	
-	-	-	-	500	-	
32	-	-	-	-	-	
-	400	380	115	-	-	
21,705	10,942	25,979	32,828	11,505	6,712	
3,897	3,600	1,217	71	127	775	
<u>46,073</u>	<u>41,641</u>	<u>38,192</u>	<u>42,598</u>	<u>22,996</u>	<u>19,751</u>	
26,796	37,201	38,279	36,999	38,168	37,184	
2,464	5,494	6,288	6,216	6,338	6,380	
14,524	2,853	2,825	2,789	2,865	2,823	
1,151	935	957	1,056	1,118	177	
43	251	322	50	50	50	
-	2,808	63	25	-	-	
-	-	-	-	-	-	
1,972	501	499	3,702	606	-	
<u>46,950</u>	<u>50,043</u>	<u>49,233</u>	<u>50,837</u>	<u>49,145</u>	<u>46,614</u>	
<u>93,023</u>	<u>91,684</u>	<u>87,425</u>	<u>93,435</u>	<u>72,141</u>	<u>66,365</u>	
(33,853)	(51,011)	(65,297)	(49,414)	(65,526)	(81,103)	
7,075	7,165	2,499	3,887	(1,079)	(5,440)	
<u>\$ (26,778)</u>	<u>\$ (43,846)</u>	<u>\$ (62,798)</u>	<u>\$ (45,527)</u>	<u>\$ (66,605)</u>	<u>\$ (86,543)</u>	

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

	Fiscal Year			
	2012	2013	2014	2015
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property taxes	\$ 21,489	\$ 21,988	\$ 22,920	\$ 23,272
Sales and use taxes	17,242	18,077	19,236	19,786
Mixed beverage tax	470	561	742	802
Hotel occupancy taxes	5,507	5,500	6,092	7,068
Franchise taxes	5,073	5,043	5,267	5,245
Payments in lieu of taxes	119	125	165	207
Unrestricted investment earnings	122	179	120	299
Miscellaneous	3,418	2,535	927	523
Insurance proceeds	-	-	-	7,111
Transfers	(18,830)	(23,124)	(23,601)	(18,951)
Total governmental activities general revenues and other changes in net position	<u>34,610</u>	<u>30,884</u>	<u>31,868</u>	<u>45,362</u>
Business-Type Activities:				
Net gain on sale of asset	-	-	-	-
Unrestricted investment earnings	132	153	54	179
Lease revenue	-	-	-	-
Miscellaneous	228	4,075	165	30
Impairment of capital assets due to Hurricane Ike	-	-	-	-
Insurance proceeds	-	-	-	-
Transfers	18,830	23,124	23,601	18,951
Total business-type activities general revenues and other changes in net position	<u>19,190</u>	<u>27,352</u>	<u>23,820</u>	<u>19,160</u>
Total primary government general revenues and other changes in net position	<u>53,800</u>	<u>58,236</u>	<u>55,688</u>	<u>64,522</u>
Changes in Net Position:				
Governmental activities	13,565	10,972	8,270	14,252
Business-type activities	28,523	33,303	29,153	17,904
Total primary government changes in net position	<u>\$ 42,088</u>	<u>\$ 44,275</u>	<u>\$ 37,423</u>	<u>\$ 32,156</u>

Fiscal Year						
2016	2017	2018	2019	2020	2021	
\$ 25,963	\$ 28,509	\$ 31,846	\$ 32,692	\$ 35,474	\$ 38,637	
20,117	20,264	20,492	21,656	21,046	24,998	
839	879	933	977	762	1,005	
11,782	11,731	13,279	12,824	10,602	15,630	
5,386	5,563	6,605	6,420	5,874	5,012	
268	289	167	248	315	488	
492	444	1,462	1,714	1,050	83	
3,038	1,699	1,971	705	791	2,810	
-	-	-	-	-	-	
(29,007)	(9,260)	(9,368)	(13,099)	(2,478)	(2,282)	
<u>38,878</u>	<u>60,118</u>	<u>67,387</u>	<u>64,137</u>	<u>73,436</u>	<u>86,381</u>	
-	273	-	108	33	35	
154	281	998	1,743	789	574	
-	-	-	-	-	942	
1	189	-	-	-	321	
-	-	-	-	-	-	
-	-	-	-	-	-	
29,007	9,260	9,368	13,099	2,478	2,282	
<u>29,162</u>	<u>10,003</u>	<u>10,366</u>	<u>14,950</u>	<u>3,300</u>	<u>4,154</u>	
<u>68,040</u>	<u>70,121</u>	<u>77,753</u>	<u>79,087</u>	<u>76,736</u>	<u>90,535</u>	
5,025	9,107	2,091	14,723	7,909	5,278	
36,237	17,168	12,758	18,837	2,221	(1,286)	
<u>\$ 41,262</u>	<u>\$ 26,275</u>	<u>\$ 14,849</u>	<u>\$ 33,560</u>	<u>\$ 10,130</u>	<u>\$ 3,992</u>	

FUND BALANCES OF GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2012	2013	2014	2015
General fund				
Nonspendable:				
Prepaid items	\$ 49,626	\$ 47,206	\$ 85,379	\$ 92,764
Restricted:				
Debt service	363,296	363,296	2,519,528	-
Committed:				
Other	-	-	-	-
Assigned:				
Emergency reserves	3,425,226	3,575,226	3,575,226	3,575,226
Unassigned	12,939,901	14,751,167	13,706,159	14,989,479
Total General fund	<u>\$ 16,778,049</u>	<u>\$ 18,736,895</u>	<u>\$ 19,886,292</u>	<u>\$ 18,657,469</u>
All other governmental funds				
Nonspendable:				
Inventories	\$ 148,976	\$ 162,672	\$ 259,579	\$ 264,300
Prepaid items	-	-	-	249,875
Restricted:				
Debt service	12,515,705	12,749,073	6,634,959	5,139,884
Beach preservation	4,921,580	968,854	3,228,192	864,030
Infrastructure and debt service	-	-	-	-
Capital projects	15,276,707	21,195,867	20,634,660	26,858,694
Grants	8,782,571	8,775,316	10,143,558	10,128,787
Other	-	-	-	-
Convention Center Operator	-	-	3,821,514	4,066,682
City of Galveston	-	-	2,815,873	3,375,562
Committed:				
Governmental projects	1,834,852	1,353,703	1,633,932	7,517,189
Assigned:				
Other	-	-	-	-
Unassigned	(188,367)	(138,902)	(109,360)	(241,400)
Total all other governmental funds	<u>\$ 43,292,024</u>	<u>\$ 45,066,583</u>	<u>\$ 49,062,907</u>	<u>\$ 58,223,603</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					
2016	2017	2018	2019	2020	2021
\$ 88,427	\$ 79,354	\$ 91,435	\$ 68,961	\$ 51,356	\$ 51,607
-	-	-	-	-	-
-	-	-	-	-	-
3,575,226	11,968,618	13,550,627	13,384,909	13,891,624	15,097,988
16,995,557	5,738,923	6,179,328	3,055,805	2,809,581	6,795,964
<u>\$ 20,659,210</u>	<u>\$ 17,786,895</u>	<u>\$ 19,821,390</u>	<u>\$ 16,509,675</u>	<u>\$ 16,752,561</u>	<u>\$ 21,945,559</u>
\$ 294,596	\$ 129,879	\$ 310,764	\$ 331,719	\$ 309,440	\$ 210,080
-	-	23,122	10,045	6,345	6,838
-	-	-	-	-	-
4,254,333	4,408,675	4,367,984	4,465,821	4,484,665	4,442,502
1,056,745	1,212,904	1,358,515	1,516,878	1,573,309	2,474,001
-	4,393,781	3,504,762	4,168,643	3,576,889	4,539,267
21,549,478	46,396,468	41,924,866	35,359,833	63,782,473	52,464,216
1,833,048	951,233	411,349	540,074	935,961	1,075,725
-	-	-	-	-	-
520,419	1,837,916	3,130,596	3,179,700	3,400,736	5,568,561
4,154,602	1,055,608	1,473,585	1,626,422	1,799,287	1,957,591
12,933,623	5,404,901	4,160,382	1,551,041	1,723,887	1,371,708
-	6,346,778	5,350,132	5,362,283	6,089,666	6,889,785
(430,719)	(14,770)	(16,706)	-	(1,682)	(1,925)
<u>\$ 46,166,125</u>	<u>\$ 72,123,373</u>	<u>\$ 65,999,351</u>	<u>\$ 58,112,459</u>	<u>\$ 87,680,976</u>	<u>\$ 80,998,349</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2012	2013	2014	2015
Revenues				
Taxes:				
Property taxes	\$ 21,581,964	\$ 22,134,235	\$ 23,063,200	\$ 23,215,372
Sales and use taxes	17,241,902	18,077,091	19,643,711	19,785,397
Hotel occupancy taxes	5,506,630	5,499,988	6,092,375	7,068,458
Mixed Beverage tax	469,902	560,806	741,671	802,384
Franchise taxes	5,073,022	5,042,575	5,267,085	5,244,681
Licenses and permits	1,260,920	1,157,610	1,226,220	1,437,379
Fines and forfeitures	2,466,092	2,243,919	1,991,045	1,775,217
Charges for services	2,703,729	3,290,246	3,818,853	4,211,953
Investment earnings	103,988	149,833	101,853	257,725
Intergovernmental	62,395,037	47,740,626	40,750,422	42,403,382
Other	2,633,854	974,471	1,163,677	8,390,920
Payments in lieu of taxes	-	-	-	-
Total Revenues	<u>121,437,040</u>	<u>106,871,400</u>	<u>103,860,112</u>	<u>114,592,868</u>
Expenditures				
General government	5,862,705	6,478,540	6,881,718	8,030,642
Public safety	26,312,416	26,953,671	27,522,088	26,895,220
Highways and roads	4,376,642	4,171,875	3,707,638	3,559,100
Culture and recreation	7,902,712	6,964,476	9,101,210	10,002,638
Planning and community development	33,911,247	11,784,903	5,086,927	4,367,107
Transportation	5,057,683	5,291,857	5,562,920	5,656,739
Capital outlay	28,211,925	33,036,633	34,977,699	21,545,616
Debt Service:				
Principal	3,460,785	7,420,397	6,030,509	4,681,927
Interest and other charges	3,385,968	3,311,138	2,561,735	2,500,163
Total Expenditures	<u>118,482,083</u>	<u>105,413,490</u>	<u>101,432,444</u>	<u>87,239,152</u>
Excess of revenues over (under) expenditures	2,954,957	1,457,910	2,427,668	27,353,716
Other Financing Sources (Uses)				
Premiums on bonds	2,632,838	1,700,560	-	832,890
Proceeds from bond sales	-	-	-	5,900,000
Payments to refunding bond escrow agent	-	(42,296,436)	-	(6,583,192)
Issuance of debt	1,564,791	41,165,000	1,071,675	-
Sale of capital assets	1,990,040	467,254	49,650	99,109
Transfers in	2,816,126	13,261,479	9,599,009	6,666,229
Transfers (out)	(2,135,363)	(12,022,362)	(8,002,281)	(26,336,878)
Total Other Financing Sources (Uses)	<u>6,868,432</u>	<u>2,275,495</u>	<u>2,718,053</u>	<u>(19,421,842)</u>
Extraordinary item - insurance proceeds from Hurricane Ike	-	-	-	-
Net change in fund balances	<u>\$ 9,823,389</u>	<u>\$ 3,733,405</u>	<u>\$ 5,145,721</u>	<u>\$ 7,931,874</u>
Debt service as a percentage of noncapital expenditures	7.6%	14.8%	12.9%	10.2%

Fiscal Year						
2016	2017	2018	2019	2020	2021	
\$ 26,076,657	\$ 28,357,560	\$ 31,856,689	\$ 32,409,278	\$ 35,353,309	\$ 38,708,204	
19,278,432	19,383,937	20,491,545	21,655,825	21,046,049	24,997,605	
11,782,092	11,731,027	13,279,410	12,823,716	10,601,834	15,629,966	
838,733	879,328	933,147	976,845	761,777	1,004,855	
6,224,831	6,542,201	6,604,636	6,420,262	5,873,889	5,012,286	
1,330,049	1,142,579	1,196,241	1,264,319	1,320,998	1,847,839	
1,877,085	1,667,151	1,620,853	1,771,369	1,463,600	1,735,104	
4,040,969	4,112,023	2,831,731	2,252,123	1,822,642	2,717,575	
426,697	397,473	1,311,524	1,607,645	1,017,673	81,506	
37,174,025	37,662,122	34,950,034	39,882,936	19,864,892	12,712,334	
7,927,895	2,287,674	2,464,658	1,146,282	2,086,373	3,026,177	
-	188,561	166,921	248,545	315,490	488,121	
<u>116,977,465</u>	<u>114,351,636</u>	<u>117,707,389</u>	<u>122,459,145</u>	<u>101,528,526</u>	<u>107,961,572</u>	
7,870,018	9,383,448	8,979,498	8,394,061	8,995,896	11,514,807	
28,662,210	30,744,605	31,746,253	33,077,768	35,989,943	37,842,467	
3,623,002	3,933,319	4,959,120	8,794,060	6,788,555	4,580,912	
16,080,344	15,326,905	17,080,557	17,047,521	15,536,705	19,714,437	
4,026,954	8,838,704	6,027,028	8,677,373	1,748,399	3,590,289	
5,853,333	5,543,757	4,453,424	3,923,930	3,471,524	3,505,326	
41,872,758	38,569,718	41,922,932	48,132,202	27,585,279	23,729,443	
6,520,000	5,126,769	6,578,170	4,819,042	5,549,306	3,755,100	
3,893,170	1,911,402	2,153,652	3,838,683	4,906,116	3,287,106	
<u>118,401,789</u>	<u>119,378,627</u>	<u>123,900,634</u>	<u>136,704,640</u>	<u>110,571,723</u>	<u>111,519,887</u>	
(1,424,324)	(5,026,991)	(6,193,245)	(14,245,495)	(9,043,197)	(3,558,315)	
2,455,092	2,708,151	-	-	6,194,024	-	
17,365,000	22,600,000	-	-	31,205,000	-	
(19,522,803)	-	-	-	-	-	
-	-	-	-	-	-	
29,260	87,474	195,262	229,303	315,298	250,533	
5,654,928	37,901,933	8,917,866	16,785,746	48,183,989	12,308,379	
<u>(5,034,951)</u>	<u>(36,849,302)</u>	<u>(7,009,410)</u>	<u>(13,968,161)</u>	<u>(45,386,913)</u>	<u>(10,490,227)</u>	
<u>946,526</u>	<u>26,448,256</u>	<u>2,103,718</u>	<u>3,046,888</u>	<u>40,511,398</u>	<u>2,068,685</u>	
-	-	-	-	-	-	
<u>\$ (477,798)</u>	<u>\$ 21,421,265</u>	<u>\$ (4,089,527)</u>	<u>\$ (11,198,607)</u>	<u>\$ 31,468,201</u>	<u>\$ (1,489,630)</u>	
11.2%	8.0%	10.7%	8.1%	11.4%	7.1%	

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

*Last Ten Fiscal Years
(Unaudited)*

Fiscal Year	Tax Year	Real Property			Less Tax Exempt Real Property
		Residential Property	Commercial Property	Personal Property	
2012	2011	\$ 3,657,579,440	\$ 2,276,704,639	\$ 439,643,914	2,179,641,187
2013	2012	3,786,151,318	2,283,664,701	395,564,155	2,142,532,519
2014	2013	3,896,885,655	2,318,866,523	457,168,489	2,137,855,522
2015	2014	4,124,343,068	2,345,587,752	466,504,332	2,180,798,250
2016	2015	4,709,378,375	2,419,995,951	490,328,554	2,329,056,020
2017	2016	5,078,286,527	2,948,065,401	475,924,292	2,656,735,937
2018	2017	5,731,588,183	2,767,945,856	440,556,376	2,767,008,032
2019	2018	5,783,141,090	2,785,915,714	466,581,283	2,704,709,306
2020	2019	6,170,091,943	2,821,267,727	481,536,694	2,795,241,612
2021	2020	6,605,047,569	3,580,302,094	452,636,940	3,385,292,832

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 granted for statutory purposes.

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

*Unadjusted for over 65 and disabled property tax freeze

Total Taxable Assessed Value*	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Estimated Actual Value	Effective Tax Levy for Fiscal Year
4,194,286,806	\$ 0.55400	\$ 6,373,927,993	65.80%	\$ 23,030,149
4,322,847,655	0.55400	6,465,380,174	66.86%	23,714,788
4,535,065,145	0.55400	6,672,920,667	67.96%	24,913,658
4,755,636,902	0.53389	6,936,435,152	68.56%	25,105,697
5,290,646,860	0.52900	7,619,702,880	69.43%	27,559,694
5,845,540,283	0.52600	8,502,276,220	68.75%	30,107,754
6,173,082,383	0.56100	8,940,090,415	69.05%	33,579,559
6,330,928,781	0.56100	9,035,638,087	70.07%	34,349,034
6,677,654,752	0.57989	9,472,896,364	70.49%	37,274,510
7,252,693,771	0.56000	10,637,986,603	68.18%	39,201,180

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**

*Last Ten Fiscal Years
(Unaudited)*

Fiscal Year	City Direct Rates				Overlapping Rates					Total Millage
	General	Library	Debt Service	Total Direct	Galveston Independent School District	Galveston College	Navigation District 1	Galveston County		
2012	\$ 0.45120	\$ 0.05000	\$ 0.05280	\$ 0.55400	\$ 1.16500	\$ 0.18950	\$ 0.04660	\$ 0.61290	\$ 2.56800	
2013	0.45320	0.05000	0.04887	0.55207	1.16500	0.18940	0.04660	0.59990	2.55297	
2014	0.45513	0.05000	0.05080	0.55593	1.16500	0.18700	0.04662	0.58370	2.53825	
2015	0.43658	0.05000	0.04731	0.53389	1.15500	0.18700	0.04662	0.57884	2.50135	
2016	0.43396	0.05000	0.04505	0.52900	1.15500	0.17875	0.04529	0.56125	2.46929	
2017	0.44103	0.05000	0.03498	0.52600	1.15500	0.17025	0.04167	0.54625	2.43917	
2018	0.44100	0.05000	0.07000	0.56100	1.15500	0.16619	0.04047	0.54615	2.46881	
2019	0.45850	0.05000	0.05250	0.56100	1.15500	0.17519	0.04292	0.52983	2.46394	
2020	0.47739	0.05000	0.05250	0.57989	1.08500	0.17118	0.04439	0.50440	2.38486	
2021	0.45750	0.05000	0.05250	0.56000	1.02640	0.15919	0.04049	0.46513	2.25121	

Source: Galveston Central Appraisal District, 2019 Taxing Entities and Tax Rates

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Fiscal Year 2021 Tax Year 2020			Fiscal Year 2011 Tax Year 2010		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Texas International Terminals	\$ 56,534,570	1	0.78%			
CenterPoint Energy Inc	\$ 51,694,910	2	0.71%	\$ 40,361,290	1	0.96%
Fertitta Hospitality Inc	\$ 50,827,090	3	0.70%	27,474,890	2	0.66%
TFT Galveston Portfolio Ltd.	\$ 26,423,000	4	0.36%			
Eighteen Seventy Strand Corp	\$ 25,000,000	5	0.34%			
2014 Galveston Jones Drive LLC	\$ 21,984,000	6	0.30%			
Beatty Street Properties	\$ 18,977,120	7	0.26%			
Silverleaf Resorts Inc	\$ 18,202,790	8	0.25%	15,112,230	7	0.36%
Galveston Island Water Park LP	\$ 17,808,810	9	0.25%	16,430,160	4	0.39%
G&H Towing	\$ 16,635,550	10	0.23%			
Diamond Beach VP, LP	-			15,761,100	6	0.38%
Halliburton Energy Services	-			17,971,659	3	0.43%
East Beach Project Phase 1 Ltd	-			16,045,710	5	0.38%
Walmart Realty	-			13,015,320	8	0.31%
MP Island	-			13,014,941	9	0.31%
M-I LLC	-			12,451,370	10	0.30%
	304,087,840		4.18%	187,638,670		4.48%
Other taxpayers	6,948,605,931		95.82%	4,006,648,136		95.52%
Total Assessed Valuation	\$ 7,252,693,771		100.00%	\$ 4,194,286,806		100.00%

Source - Galveston County Appraisal District

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Tax Year	Tax Rate	Effective Tax Levy for Fiscal Year ⁽¹⁾	Collections of the Current Year Effective Levy Within the Fiscal Year of the Levy		Collections of Prior Year Levies Collected in the Fiscal Year	Total Collections by Fiscal Year	
				Amount	Percent of Levy	Amount ⁽²⁾	Amount	Percent of Levy
2012	2011	\$ 0.55400	\$ 23,030,149	\$ 22,448,732	97.5%	\$ 917,415	\$ 23,366,147	101.5%
2013	2012	0.55400	23,714,788	23,155,399	97.6%	838,593	23,993,992	101.2%
2014	2013	0.55400	24,913,658	24,346,107	97.7%	743,149	25,089,256	100.7%
2015	2014	0.53389	25,105,697	24,593,586	98.0%	753,857	25,347,443	101.0%
2016	2015	0.52900	27,559,694	27,069,019	98.2%	749,472	27,818,491	100.9%
2017	2016	0.52600	30,107,754	29,484,505	97.9%	657,324	30,141,829	100.1%
2018	2017	0.56100	33,579,559	33,017,376	98.3%	865,913	33,883,289	100.9%
2019	2018	0.56100	34,349,034	33,644,354	97.9%	832,044	34,476,398	100.4%
2020	2019	0.57989	37,274,510	36,532,560	98.0%	973,945	37,506,505	100.6%
2021	2020	0.56000	39,201,180	38,529,460	98.3%	1,194,780	39,724,240	101.3%

(1) Tax department records of the City's Effective Tax levy based on the GCAD appraisal roll adjusted for the over 65/disabled tax freeze.

(2) Includes delinquent taxes and penalties and interest.

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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**
2012	\$ 19,032	\$ 30,290	\$ 1,654	\$ 22,516	\$ 2,854
2013	18,569	26,690	1,291	18,758	3,029
2014	16,472	25,960	882	16,900	5,192
2015	14,620	25,200	-	14,153	5,332
2016	12,565	24,390	-	9,789	7,571
2017	33,835	23,525	-	5,829	7,938
2018	31,131	22,605	-	2,874	7,612
2019	28,775	24,553	-	1,391	5,758
2020	56,867	20,580	-	-	9,770
2021	54,221	19,470	452	-	9,028

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

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

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

Business-Type Activities

Revenue Bonds		General Obligation Bonds	Capital Leases	Certificates of Obligation	Other**	Total Primary Government	Percentage of Personal Income*	Percentage of Total Taxable Value of Property	Per Capita*
\$	37,955	\$ -	\$ 135	\$ 14,658	\$ 40,651	\$ 169,745	14.9%	4.0%	\$ 3,504
	35,755	-	-	14,116	30,767	148,975	12.6%	3.4%	3,119
	33,525	-	-	13,674	26,820	139,425	10.8%	3.1%	2,861
	28,810	-	-	13,210	25,675	127,000	9.8%	2.7%	2,560
	23,515	15,440	-	-	21,576	114,846	8.6%	2.2%	2,289
	21,910	14,466	-	33,355	21,602	162,460	11.7%	2.8%	3,214
	20,255	13,499	-	32,330	18,512	148,818	10.4%	2.4%	2,947
	18,540	11,970	-	64,580	17,323	172,890	11.5%	2.7%	3,426
	16,760	10,483	-	63,825	13,711	169,962	10.8%	2.5%	3,363
	-	23,254	-	62,560	8,164	177,149	10.9%	2.4%	3,299

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

Fiscal Year	Tax Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
2012	2011	\$ 19,032	\$ 3,766	\$ 15,266	0.24%	\$ 315
2013	2012	18,569	5,164	13,405	0.21%	281
2014	2013	16,472	5,543	10,929	0.16%	224
2015	2014	14,620	4,270	10,350	0.15%	209
2016	2015	12,565	3,433	9,132	0.12%	182
2017	2016	33,835	3,579	30,256	0.36%	599
2018	2017	31,131	3,724	27,407	0.31%	543
2019	2018	28,775	3,811	24,964	0.28%	495
2020	2019	56,867	1,717	55,150	0.58%	1,091
2021	2020	54,221	1,668	52,553	0.49%	979

Note: The General Obligation Bonds amounts above represent only the tax supported General Obligation Debt. The General Obligation Bonds of the business-type activities are excluded as these are revenue supported debt and would artificially inflate the per capita amounts if included. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

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

**DIRECT AND ESTIMATED OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

September 30, 2021
(Unaudited)

Taxing Jurisdiction	Gross Debt	Overlapping	
		Estimated Percentage *	Amount
Galveston County	\$ 210,083,482	24.96%	\$ 52,436,837
Galveston Independent School District	55,100,000	80.27%	44,228,770
Galveston County Municipal Utility District #30	3,735,000	100.00%	3,735,000
Total Overlapping Debt			<u>100,400,607</u>
City Direct Debt			<u>83,171,786</u>
Total Direct and Overlapping Debt			<u>\$ 183,572,393</u>
Ratio of Direct and Overlapping Funded Debt to 2021 Taxable Assessed Valuation			<u>2.53%</u>
Per Capita Debt - Direct and Overlapping			<u>\$ 3,419</u>

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

Notes:

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population ¹	Personal Income (\$ thousands)	Per Capita Personal Income (1)	Median Age (1)	Educational Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)	Value of Building Permits (\$ thousands) (4)
2012	48,444	\$ 1,142,358	\$ 23,581	38.8	12.0	6,450	7.3%	\$ 108,578
2013	47,762	1,185,548	24,822	38.8	12.0	6,450	6.9%	227,128
2014	48,733	1,287,039	26,410	38.8	12.0	6,800	6.0%	173,339
2015	49,608	1,297,944	26,164	37.3	12.0	6,813	5.0%	184,223
2016	50,180	1,338,050	26,665	36.3	12.0	6,976	5.6%	131,081
2017	50,550	1,383,351	27,366	37.0	12.0	6,884	5.2%	224,606
2018	50,497	1,425,379	28,227	36.6	12.0	7,017	4.6%	123,707
2019	50,457	1,500,238	29,733	39.4	12.0	7,015	3.8%	157,480
2020	50,546	1,571,717	30,406	37.8	12.0	7,041	10.1%	131,373
2021	53,695	1,632,650	30,406	38.2	12.0	6,648	5.4%	249,802

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

4 - City of Galveston

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

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago
(Unaudited)

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Texas Medical Branch	8,948	1	39.06%	7,500	1	39.72%
Landry's Inc. (1)	1,930	2	8.42%	1,300	3	6.88%
Galveston Independent School District	1,358	3	5.93%	1,366	2	7.23%
Galveston County (on Island only)	1,199	4	5.23%	864	5	4.58%
Schlitterbahn (2)	1,100	5	4.80%	-		0.00%
American National Insurance Company	919	6	4.01%	866	4	4.59%
City of Galveston	813	7	3.55%	722	7	3.82%
Texas A&M University at Galveston	696	8	3.04%	423	9	2.24%
Moody Gardens (3)	605	9	2.64%	810	6	4.29%
Sullivan Interests (4)	467	10	2.04%	0		0.00%
Mitchell Historic Properties	-		0.00%	460	8	2.44%
Galveston College	-		0.00%	300	10	1.59%
	18,035		78.72%	14,611		77.38%

Source: GEDP, VisionGalveston, City of Galveston research efforts

(1) Numbers listed are from March 2021.

(2) This includes peak employment totals. Year round employment is 35.

(3) This includes peak employment totals. Year round employment is 449.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
City Secretary	3	3	3	3	4	4	4	4	4	4
Municipal Court	10	10	9	9	9	8	8	8	8	10
City Manager	5	4	4	4	6	6	5	3	4	3
City Auditor	1	2	2	2	2	2	2	2	2	2
Finance	13	14	15	16	19	19	18	17	13	13
Legal	5	6	6	6	6	7	7	7	5	6
Human Resources	3	3	3	3	4	5	5	5	5	5
Public Safety:										
Police	177	177	188	185	185	190	203	209	200	209
Fire	115	115	115	115	118	120	119	119	118	119
Emergency Management	1	2	2	2	2	2	2	1	1	1
City Marshal	-	-	-	-	1	1	1	1	17	8
Public Works:										
Streets and Traffic	31	36	42	42	46	43	58	61	49	56
Parks	34	33	34	34	36	39	40	42	38	41
Planning and Community Development	24	24	23	23	25	25	24	25	42	36
Waterworks	32	35	37	41	40	45	43	44	39	48
Sewer System	69	80	81	84	87	90	87	88	54	85
Drainage Utility	23	26	35	35	34	33	37	36	28	35
Municipal Golf Course	-	-	-	-	-	-	-	-	-	-
Sanitation	45	45	48	48	58	59	59	59	56	59
Municipal Airport	8	8	8	8	8	8	8	8	7	7
Central Service	12	13	14	15	16	18	24	25	34	27
Central Garage	22	22	22	22	24	22	22	22	21	24
Municipal Insurance	2	2	2	2	2	2	2	2	2	2
Construction Management	5	5	5	5	6	13	17	17	17	14
Island Transit	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>53</u>	<u>38</u>	<u>45</u>
Total	<u><u>692</u></u>	<u><u>717</u></u>	<u><u>750</u></u>	<u><u>756</u></u>	<u><u>796</u></u>	<u><u>819</u></u>	<u><u>853</u></u>	<u><u>858</u></u>	<u><u>802</u></u>	<u><u>859</u></u>

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

Function	Fiscal Year			
	2012	2013	2014	2015
Police:				
Physical arrests	7,065	7,597	6,039	6,356
Parking violations	27,680	9,267	25,556	12,320
Traffic violations	15,328	28,765	22,148	20,243
Fire:				
Calls	6,681	6,311	7,020	7,172
Inspections	1,324	407	1,678	1,693
Water:				
Service connections	21,323	20,595	23,294	19,938
Average daily consumption (gallons)	14,480,142	14,570,688	14,557,447	14,509,978
Sewer:				
Average daily flow (gallons)	7,108,791	7,854,000	7,136,000	8,826,700
Maximum daily capacity of plants (gallons)	14,580,000	14,500,000	17,713,000	14,550,000

Source: Various City Departments.

Fiscal Year					
2016	2017	2018	2019	2020	2021
6,178	5,176	4,794	4,450	4,100	5,824
15,406	18,834	19,546	22,947	1,119	418
20,915	16,054	16,369	18,059	6,892	9,012
7,700	7,360	7,031	6,843	6,891	8,680
2,750	1,964	1,765	1,450	1,926	1,475
21,623	21,945	22,338	22,794	26,811	25,503
14,170,071	14,092,921	11,904,677	10,616,792	10,892,000	10,507,074
9,302,558	7,420,000	7,640,699	7,792,000	7,792,000	7,739,205
14,550,000	14,874,000	14,874,000	14,874,000	14,874,000	14,580,000

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

Function	Fiscal Year			
	2012	2013	2014	2015
Police:				
Stations	1	2	1	1
Patrol Units	55	60	74	78
Police officers	139	143	143	140
Fire:				
Stations	6	6	6	6
Fire fighters	108	115	109	109
Highways and streets:				
Streets (miles)	321	321	321	321
Street lights	4,365	4,377	4,411	4,417
Culture and recreation:				
Parks acreage	50	168	168	168
Parks	14	14	14	14
Tennis courts	16	16	16	16
Community centers	2	2	2	2
Cemeteries	2	7	7	7
Athletic fields	11	12	12	12
Swimming pools	-	-	-	-
Water:				
Water mains (miles)	389	389	389	389
Fire hydrants	2,422	2,422	2,552	2,555
Maximum daily capacity (thousands of gallons)	37,150,000	39,700,000	39,700,000	36,500,000
Sewer:				
Treatment plants	4	4	4	4
Sanitary sewers (miles)	243	243	243	243
Storm sewers (miles)	75	75	75	75
Maximum daily treatment capacity (thousands of gallons)	14,580,000	14,250,000	14,250,000	14,750,000

Source: Various City Departments.

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

Fiscal Year						
2016	2017	2018	2019	2020	2021	
1	1	1	1	1	1	1
65	68	62	52	109	103	103
136	132	148	146	151	150	150
6	6	6	6	6	6	6
112	112	112	115	111	111	111
324	324	324	324	378	378	378
4,405	4,405	4,541	4,583	4,583	5,290	5,290
168	168	751	751	751	751	751
13	13	17	17	17	17	17
16	16	16	16	16	16	16
2	2	2	2	2	2	2
6	6	6	6	6	6	6
11	11	24	24	24	24	24
-	1	1	1	1	1	1
391	391	395	400	491	491	491
2,555	2,555	2,585	2,696	2,600	2,606	2,606
21,500,000	21,500,000	21,500,000	37,100,000	37,100,000	35,800,000	35,800,000
4	4	4	4	4	4	4
244	244	246	246	268	254	254
75	75	57	62	63	63	63
14,874,000	14,874,000	14,874,000	14,874,000	14,874,000	14,580,000	14,580,000