

CITY OF GALVESTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2009



**Prepared by
Finance Department**

CITY OF GALVESTON
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Introductory Section

City of Galveston



P. O. Box 779 / Galveston, Texas 77553

February 25, 2010

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

State law requires that all general purpose local governments publish within 180 days of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Galveston, Texas for the fiscal year ended September 30, 2009.

This report consists of management's representations concerning the finances of the City of Galveston. 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 of Galveston 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 of Galveston's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Galveston'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 of Galveston's financial statements have been audited by Null-Lairson, P.C., 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 of Galveston for the fiscal year ended September 30, 2009 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 unqualified opinion that the City of Galveston's financial statements for the fiscal year ended

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

September 30, 2009 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 of Galveston 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 awards. These reports are available in the City of Galveston's separately issued Single Audit Report.

GAAP require 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 of Galveston's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

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

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

- The Park Board which provides improvements and maintenance to City waterfront parks and beaches
- Galveston Redevelopment Authority, which provides funds from four tax reinvestment zones for development and improvement projects within specific geographic areas of the City
- The Galveston Housing Finance Corporation which provides home mortgages and loans to lending institutions for the purpose of making home mortgages
- The City of Galveston Property Finance Authority, Inc. which was created by State Statute for the purpose of acquiring, owning, holding, leasing, and selling real or personal property to or for the benefit of the City for the furtherance of its public purposes
- The Board of Trustees of the Galveston Wharves which manages, controls, and maintains the wharves of Galveston

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

- The Industrial Development Corporation which provides street repairs, beach re-nourishment and sewer improvements
- The City of Galveston Employee's Retirement Plan for City employees, the Galveston Firefighters' Pension Fund, and the City of Galveston Employee's Retirement Plan for Police

The annual budget serves as the foundation for the City of Galveston's financial planning and control. All departments of the City are requested to submit requests for appropriation to the government's manager around the middle of June each year. The City Manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review the first week of August. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than seven days before September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department with the Finance Director and City Manager's approval. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Island Transit Fund, this comparison is presented on page 108 of the Basic Financial Statements. For governmental funds, other than the General Fund and Island Transit Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection for each governmental fund for which a budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Galveston operates.

Galveston Economic Climate Overview:

Federal programs and initiatives to stimulate the U.S economy appear to have boosted the quarterly GDP results, at least in the short-term. The concern going forward will be if these favorable results seen in the last quarter will be sustainable. "Household spending is expanding at a moderate rate but remains constrained by a weak labor market, modest income growth lower housing wealth and tight credit. Business spending on equipment and software appears to be picking up, but investment in infrastructure is still contracting and employers remain reluctant to add to payrolls. Firms have brought inventory stocks into better alignment with sales. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability."¹

Regional data reflects similar results. "Job losses continued to shrink, the unemployment rate fell slightly and the local purchasing managers were increasingly optimistic. Houston's recovery is probably still trailing that of the U.S. economy by a few months, but the difference is narrowing, especially in local job growth. Stabilization and improvement in oil-related jobs have been key to these gains"².

¹ Board of Governors of the Federal Reserve System, Press Release January 27, 2010

² Federal Reserve Bank of Dallas, Houston Economic Update, January 15, 2010

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

On September 13, 2008, Hurricane Ike struck Galveston Island. The storm was officially a category 2 hurricane; however the enormous size of the system's hurricane force winds resulted in a category 4-5 storm surge. The storm surge averaged twelve feet on the island, flooding 70%-75% of the Island's businesses and housing stock. Private and commercial property damage now exceeds \$2.5 billion. Further damages were incurred to the City's Port (\$500 million), Medical facility (\$600 million) and City buildings, equipment and infrastructure (\$123 million). The Island has been under a massive reconstruction effort funded by local, state and federal sources.

Immediately following the hurricane the United States Congress allocated \$6.5 billion in emergency funding for disaster recovery assistance to 13 States and Puerto Rico. On November 26, 2008, the US Department of Housing and Urban Development (HUD) announced the first of three allocations, amounting to \$2.1 billion. The funds are administered through the State, and Texas relegated administration to the Texas Department of Rural Affairs (TDRA) as the lead state agency. The Texas allocation of HUD funds have been distributed through various COG's. The Houston-Galveston Area Council (H-GAC) awarded \$267 million to the City of Galveston, the highest award of any of the jurisdictions in the Houston-Galveston region. The funds are allocated between housing (60%) and non-housing (40%). Significant recovery funds follow:

- \$160 million in CDBG funding for low-moderate income housing repair, restoration or rebuilding activities
- \$107 million in CDBG funding for infrastructure improvements to water and wastewater systems
- \$4.4 billion remaining funds remain for allocation. A round 2 method of distribution has been proposed by the State and is under review by HUD
- A special provision was added to the Consolidated Appropriations Act, and an omnibus spending bill was signed December 18, 2009, to permit use of CDBG-D funds for matching components of other federal assistance in connection with 2008 disaster declarations
- \$17.1 million in assistance through American Recovery and Reinvestment Act (ARRA) awards, administered through the Texas Water Development Board, for infrastructure improvements to the City's water and wastewater systems
- The 2008 per capita disaster cost formula now exceeds Stafford Act funding match, reducing local match from 25% to 10%. The FEMA public assistance funding is approaching \$200 million for debris removal, emergency preparatory measures, and various categories of permanent repairs.

The University of Texas Medical Branch (UTMB) is the island's largest employer with a labor force of better than 12,000. Soon after the storm the hospital's board of regents reduced the labor force by nearly 3,000 employees and reduced the Island facility's capacity from 600 to 200 beds. During the year, after encouragement and resource commitments by local leaders the board of regents pledged to restore the hospital's labor force, return to a level one trauma center, and establish capacity at pre-storm levels. On August 1, 2009 the trauma center reopened and is in pursuit of level one certification. Rehiring of professional and nurse staff resulted in reinstatement of some 1,500 employees. Mitigation applications have been submitted to FEMA to elevate critical infrastructure campus-wide, totaling \$463 million. Further, plans are underway to construct a new tower, with the goal of restoring pre-storm capacity.

Before Hurricane Ike the area was enjoying a growing tourism industry, a booming cruise industry, recent opening of a new convention center and golf course developments. Several hotel expansions, various residential developments and the Schlitterbahn Water Park and Resort were byproducts of this growth. Hurricane Ike resulted in substantial damage to the City's Gulf beaches. The Galveston Parks Board, in conjunction with the State General Land Office, timely launched an effort to reconstruct the beaches from

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

61st Street to 16th Street. The source of sand was from accreting areas around Stewart Beach and Apffel Park. The majority of the work was completed March 31, 2009. Funding is now underway to restore the Island's west-end beaches. There is a concerted effort to pool local public assistance funds between Galveston County, the Parks Board and the City and in turn utilize these collective sources to complete matching funds needed for a projected \$48 million beach reconstruction project undertaken by the State's General Land Office.

On November 4, 2008 Galveston voters approved an extension to the 4-B Economic Development Sales Tax, a local option tax to be used to promote a wide range of civic and commercial projects. The ballot specified four general concentrations of sales tax proceeds, subordinate only to annual debt service on outstanding bonded debt. The general areas of eligibility are (1) parks, (2) beach renourishment, (3) economic development and (4) streets, drainage and sewer projects.

On July 2, 2008 the Port of Galveston issued \$28 million in parity bonds through the Texas Industrial Development (TID) program. Of the proceeds, \$11.5 million will be used as local matching funds for a U.S. Corps of Engineers project to deepen the Galveston Ship Channel from 40 to 45 feet. The remaining \$16.5 million will be used to fill and reconstruct the Ports' Piers 12-14, which badly need replacement. This pier reconstruction will also add 15 acres of cargo storage area to Port property. Port operations incurred a setback with Hurricane Ike. That said, cargo was unloaded eight days after the storm and Cruise ship operations resumed after only six weeks. The board of trustees believes they have adequate insurance to cover repairs and business interruption insurance to cover lost revenues. It took several of the Port's major tenants four to six months to resume operations. Although significant, infrastructure damages have not adversely affected the Port's current operations.

Long-term financial planning

The City Council has established a 90-day target balance for General Fund unrestricted cash and cash equivalents. The General Fund, in spite of cash demands by numerous expenditure driven federal assistance, maintained an average balance of \$15.7 million during the 2009-year, exceeding the average target balance by 36.5%.

Subsequent to Hurricane Ike all capital improvement projects not yet underway were suspended. All available funding was diverted to (1) recovery cash flow needs and/or (2) matching components of FEMA public assistance. Budget plans for issuance of water and wastewater revenue bonds were discontinued.

Relevant financial policies

The City Council extended the Mayor's emergency powers for one year, subsequent to Hurricane Ike. Further, the Council adopted a policy that employee layoffs were to be a last resort in any effort to control costs necessitated from revenue shortfalls as a consequence of Hurricane Ike. Instead, the Council suspended \$12.1 million or 13.9% of the \$87 million annual appropriated budget. The suspensions included all capital and debt service associated with uncommitted amounts as well as a City-wide hiring freeze and discontinuance of all discretionary spending.

Major initiatives

The next three to five years will be a continuance of recovery initiatives. The 2010 annual operating budget provides \$9.9 million, or better than 10% of the total adopted budget, in matching funds available to leverage federal and state assistance. Other funds have been earmarked for recovery as well including bond proceeds; \$16 million and 4-B sales tax; \$3 million.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended September 30, 2008. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government reports.

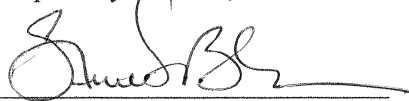
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal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

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

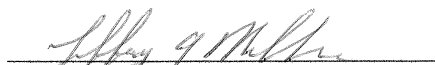
The preparation of this report is a joint effort of various departments and offices of the City. The City's Finance Department coordinates the compilation and prepares the final report along with the City's independent auditor, Null-Lairson, P.C. The successful and timely preparation of this report depends on the cooperation of all these groups and upon the diligence and dedication of the entire staff of the Finance Department. We would like to express our appreciation to all the City staff that assisted and contributed to the preparation of this report.

Other City departments and offices make a significant contribution to the preparation of this report. We acknowledge their efforts in providing information and assistance during the preparation of this report. Finally, we acknowledge members of the Finance and Fiscal Affairs Committee and 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,



Steve LeBlanc
City Manager



Jeffrey G. Miller, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Galveston
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

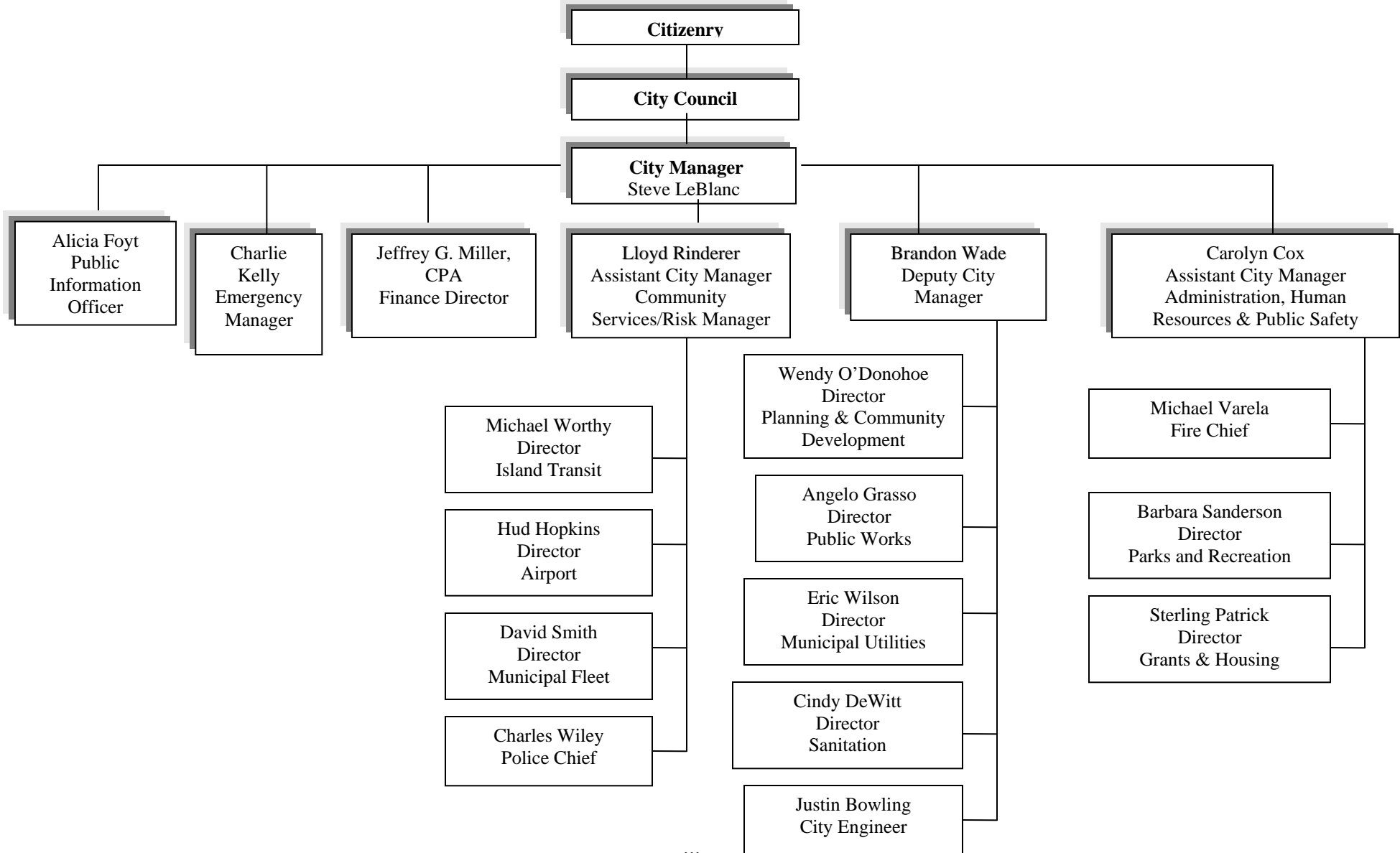
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Galveston, Texas Organizational Chart



CITY OF GALVESTON, TEXAS

Incorporated March 1839

Charter Adopted April 19, 1960

Council - Manager Form of Government

City Council		City Council Appointees	
Mayor	Lyda Ann Thomas	City Manager	Steven J. LeBlanc
Mayor Pro Tem	Danny Weber, Sr.	City Secretary	Barbara S. Lawrence
Council Member	Tarris L. Woods	City Attorney	Susie Green
Council Member	Linda Colbert	Court Judge	Jim Schweitzer
Council Member	Elizabeth Beaton	City Auditor	Mike McNeely
Council Member	Susan Fennewald		
Council Member	Karen Mahoney		

**Departmental Directors
(City Manager Appointees)**

Airport	Hud N. Hopkins
Assistant City Manager - Community Services/Risk Manager	Lloyd Rinderer
Assistant City Manager - Administration, Human Resources & Public Safety	Carolyn Cox
City Engineer	Justin Bowling
Emergency Management	Charlie Kelly
Finance	Jeffrey G. Miller, CPA
Fire	Mike Varela
Grants	Sterling W. Patrick
Island Transit	Michael Worthy
Municipal Court	Kathy Price
Municipal Garage	David A. Smith
Municipal Utilities	Eric Wilson
Parks and Recreation	Barbara E. Sanderson
Planning and Community Development	Wendy O'Donohoe
Police	Charles Wiley
Public Works	Angelo Grasso
Sanitation	Cindy DeWitt

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Financial Section

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Independent Auditors' Report

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units of the City: the Park Board of Trustees of the City of Galveston, Texas, the City of Galveston Property Finance Authority or the Galveston Housing Finance Corporation, which represents 64% of total assets and 52% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, as it relates to the amounts included for that discretely presented component units is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and island transit fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis, budgetary comparison and pension system information on pages 5 through 16 and 93 as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and budget comparisons listed in the table of contents under Other Supplementary Information are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and Statistical Section listed in the foregoing table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we express no opinion on them.

A handwritten signature in black ink that reads "Null Laison, P.C." The signature is written in a cursive, flowing style.

Houston, Texas
February 25, 2010

Management's Discussion and Analysis

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CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Galveston, we offer 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, 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements that follow this section. The discussion and analysis includes comparative data for 2008. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$190.7 million (net assets). Of these assets, capital assets increased \$18.7 million, or 7.97%, from the prior year.
- The ratio of total assets to total liabilities for governmental activities was 1.69 times; for business type activities the ratio was 1.81 times.
- General Fund cash and equivalents increased \$1.9 million or 15.5% compared to the prior year.
- The fund balance of the General Fund increased from \$14.1 million to \$16.7 million, a 18.0% increase. The ending balance represents 42.7% of the \$39.1 million in expenditures. Total undesignated and unreserved fund balance was \$13.8 million, or 35.2% of expenditures.
- Business-type assets increased \$12.9 million over the last fiscal year. Of these, capital assets increased \$16.6 million, an increase of 12.9% from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and sick 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 transportation.

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

The business-type activities of the City include potable water supply, wastewater collection and treatment, solid waste management, drainage management and improvement and an airport facility.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Park Board, separate Tax Increment Reinvestment Zones, a legally separate Industrial Development Corporation, two property and housing finance corporations and the Galveston Wharves for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-21 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 twenty-two 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 Fund, Island Transit Fund and Hurricane Ike Fund, which are considered to be major funds or of significant interest to the governing body. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Island Transit Fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The City's governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary Funds. The City maintains five different types of proprietary, or enterprise 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 potable water

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

supply, wastewater collection and treatment, solid waste management, drainage management and improvement, and airport operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, management information systems, central building services, print shop activities, mailroom, insurance and construction support. Because all of these services predominantly benefit governmental rather than business-type functions, the largest portion of the amounts has 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 proprietary fund financial statements provide separate information for the waterworks services and wastewater services, both of which are considered to be major funds of the City. Data from the other three proprietary funds are combined into a single aggregated presentation. Individual fund data for these funds can be found in statements elsewhere in this report. The portion of the internal service funds activities that relate to the proprietary activities 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 this report.

The City's proprietary fund financial statements can be found on pages 29-32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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's fiduciary fund financial statements can be found on pages 33-34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-89 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information beginning on page 93. Information concerning the City's progress in funding its obligation to provide pension benefits to its employees is presented.

As detailed in the Table of Contents, the required supplementary information section also includes financial information on the non-major governmental funds, the non-major enterprise funds, the internal service funds, the pension trust funds, and capital assets.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, government-wide assets exceeded liabilities by \$190.7 million at the close of the most recent fiscal year.

A significant portion of the City's net assets (60.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizenry; consequently, these assets are not available for future spending. 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

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

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GALVESTON
Net Assets (in thousands)
September 30, 2009

Table A-1

With comparative totals for September 30, 2008

	<u>Governmental activities</u>		<u>Business - type activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 123,968	\$ 90,772	\$ 70,937	\$ 74,611	\$ 194,905	\$ 165,383
Capital assets	107,472	105,394	145,265	128,685	252,737	234,079
Total assets	<u>231,440</u>	<u>196,166</u>	<u>216,202</u>	<u>203,296</u>	<u>447,642</u>	<u>399,462</u>
Current liabilities	26,482	28,884	12,929	12,059	39,411	40,943
Long term liabilities	110,810	91,946	106,706	103,472	217,516	195,418
Total liabilities	<u>137,292</u>	<u>120,830</u>	<u>119,635</u>	<u>115,531</u>	<u>256,927</u>	<u>236,361</u>
Net assets						
Invested in capital assets, net of related debt	49,607	49,273	65,039	64,348	114,646	113,621
Restricted	25,689	19,950	7,173	11,053	32,862	31,003
Unrestricted	18,852	6,113	24,355	12,364	43,207	18,477
Total net assets	<u>\$ 94,148</u>	<u>\$ 75,336</u>	<u>\$ 96,566</u>	<u>\$ 87,765</u>	<u>\$ 190,715</u>	<u>\$ 163,101</u>

An additional portion of the City's net assets (17.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in all three categories of net assets for the primary government as a whole.

As a consequence of damage incurred and subsequent recovery costs resultant from Hurricane Ike, the City will not have sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to meet its long-term obligations, without a reduction in fund balances or net assets.

Of the business-type activities, the Waterworks system and the Sewer system are by far the largest operation at the City with total combined assets of \$190.2 million, comprising 88.2% of all business-type activities total assets at year end. The Waterworks system's and Sewer system's net assets were \$32.8 million and \$40.1 million, respectively, which is 76.0% of total net assets compared to 76.9% for 2008. The combined unrestricted business-type net assets of the Waterworks system and the Sewer system comprise 71.2% of the total business-type unrestricted net assets.

Governmental Activities. As shown in Table A-2, revenues were divided between governmental activities and business-type activities 79.7% and 20.3% respectively. Expenses were divided between governmental activities and business-type activities 81.1% and 18.9% respectively. Net assets increased \$ 18.8 million, or 25.0% from the prior period for governmental activities and increased \$ 8.8 million or 10.0% for business-type activities, The overall effect is an increase of 16.9%.

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

CITY OF GALVESTON

Table A-2

Changes in Net Assets (in thousands)

For the Fiscal Year Ended September 30, 2009

With comparative totals for fiscal year ended September 30, 2008

	Governmental activities		Business - type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for services	\$ 6,611	\$ 6,910	\$ 32,338	\$ 34,910	\$ 38,950	\$ 41,820
Operating grants and contributions	84,532	6,627			84,532	6,627
Capital grants and contributions	766	25,995	2,253	1,925	3,018	27,920
General revenues:						
Property taxes	19,718	18,640			19,718	18,640
Sales taxes	18,588	17,747			18,588	17,747
Hotel occupancy taxes	3,742	4,958			3,742	4,958
Franchise fees	4,807	5,450			4,807	5,450
Payments in lieu of taxes	120	126			120	126
Other	637	1,707	904	1,941	1,542	3,648
Total revenues	<u>139,521</u>	<u>88,160</u>	<u>35,495</u>	<u>38,776</u>	<u>175,016</u>	<u>126,936</u>
Expenses						
General government	5,742	5,307			5,742	5,307
Public safety	29,390	32,145			29,390	32,145
Public works	69,234	12,735			69,234	12,735
Culture and recreation	10,764	9,020			10,764	9,020
Planning and community development	4,237	4,936			4,237	4,936
Transportation system	5,120	4,548			5,120	4,548
Interest on long-term debt	2,758	2,839			2,758	2,839
Waterworks system			13,060	13,350	13,060	13,350
Sewer system			9,900	10,806	9,900	10,806
Sanitation services			3,907	3,808	3,907	3,808
Drainage utility			1,700	1,651	1,700	1,651
Airport			1,073	1,184	1,073	1,184
Total Expenses	<u>127,246</u>	<u>71,530</u>	<u>29,641</u>	<u>30,799</u>	<u>156,887</u>	<u>102,329</u>
Increase (decrease) in net assets before transfers	12,275	16,630	5,854	7,977	18,130	24,607
Special Item - Loss on assets due to Hurricane Ike		(2,022)				(2,022)
Extraordinary Item - Insurance proceeds related to Hurricane Ike	4,863		3,509		8,372	
Extraordinary Item - Impairments to assets due to Hurricane Ike	1,112	(1,867)		(17,897)	1,112	(19,764)
Transfer in (out)	562	600	(562)	(600)		
Change in net assets	<u>18,812</u>	<u>13,341</u>	<u>8,801</u>	<u>(10,520)</u>	<u>27,614</u>	<u>2,821</u>
Net assets at beginning of year	<u>75,336</u>	<u>61,995</u>	<u>87,765</u>	<u>98,285</u>	<u>163,101</u>	<u>160,280</u>
Net assets at end of year	<u>\$ 94,148</u>	<u>\$ 75,336</u>	<u>\$ 96,566</u>	<u>\$ 87,765</u>	<u>\$ 190,715</u>	<u>\$ 163,101</u>

Table A-2 above reflects that:

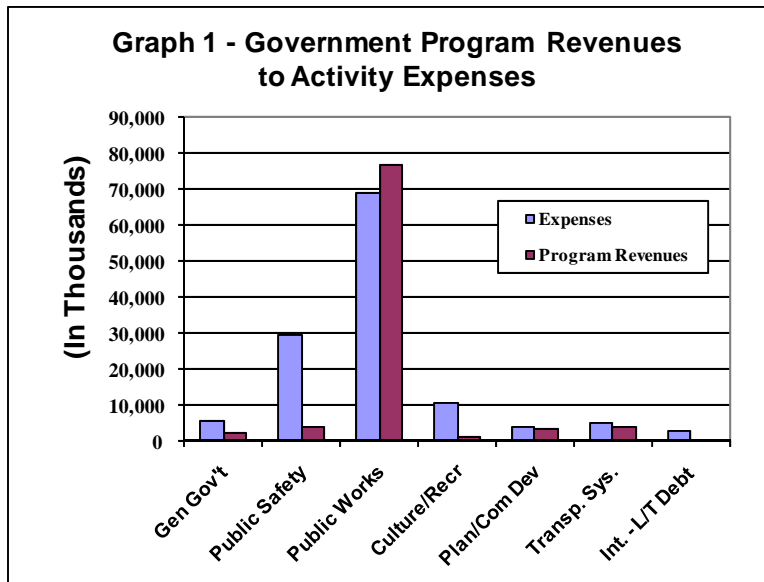
- The cost of all governmental activities for the fiscal year was \$ 127.2 million, an increase of \$55.7 million over the previous fiscal year.
- Public safety, which includes expenses for police, fire, emergency management and special events, accounted for 23.1% of governmental activities compared to 44.9% in 2008. Public safety operating expenses decreased \$2.8 million or 8.6% compared to the prior year. Last year costs included first response expenses subsequent to Hurricane Ike of some \$5.1 million including temporary shelters for displaced citizens (\$.6 million), establishment of City Hall base camp at the San Luis, Hilton and Holiday Inn (\$1.7 million); Police and Fire overtime (\$2.5 million).

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

- The single largest source of revenue is from operating grants and contributions, representing 61.1% of the \$139.5 million governmental activity revenue stream. The City's Hurricane Ike recovery costs are projected to exceed \$200 million. Debris removal costs subject to reimbursement were \$57.4 million for the 2008-2009 year. Emergency protective measures added another \$4.8 million in claims. Permanent repair categories of FEMA public assistance were \$7.0 million for the year.
- The second largest source of revenue is derived from local taxes. City property taxes, sales taxes, hotel occupancy taxes, franchise fees, and payments in lieu of taxes were \$47.0 million, an increase over the previous year of \$52,586. Taxes and franchise fees contributed to 33.7% of governmental activities revenue compared to 53.2% in fiscal year 2008.
- Charges for services account for 4.7% of governmental activities, and decreased \$ 0.3 million in fiscal 2009 to \$ 6.6 million. The decrease is attributable to a decline in Island Transit ridership from farebox revenues (\$154,000), UTMB (\$33,000) and the Port (\$19,000) and associated FTA operating grants based on ridership of (\$467,000).

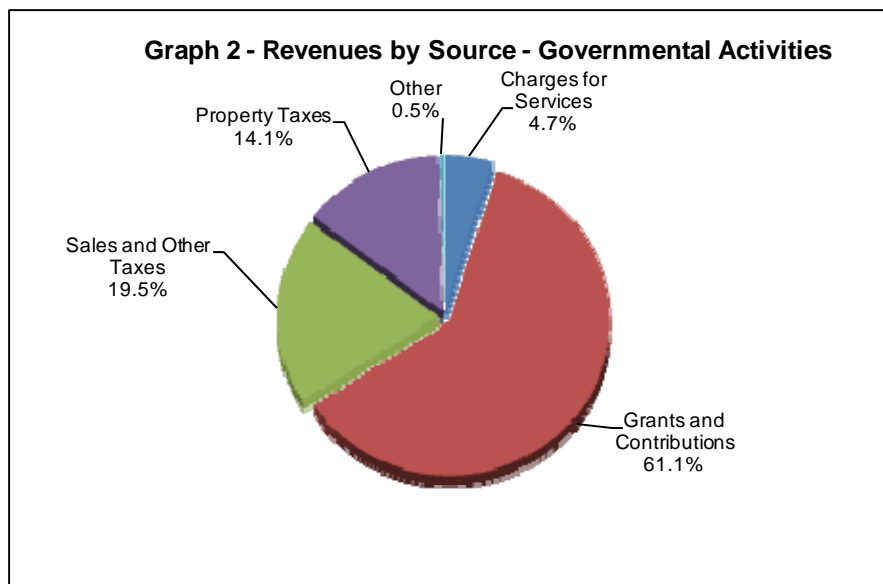
Graph 1 below presents the cost of each of the City's major governmental functions, as well as the associated program revenues. Total expenses were \$ 127.2 million. Program revenues provided \$ 91.9 million, for a net cost of services of \$ 35.3 million. Hurricane Ike recovery costs for debris removal and capital repairs were \$70.6 million, or 55.6% of the total governmental activity expenses. The cost of providing public safety was \$ 29.4 million or 23.1% of the cost of governmental activities, a decrease from 44.9% of cost of governmental activities in 2008. Not uncommon with governmental activities, the subsidy required from taxpayers provides the majority support to these core services.



CITY OF GALVESTON

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

Graph 2 below presents the sources of revenue for governmental activities. Federal assistance, most notably from the FEMA public assistance program provided 61.1% of the 2009 year funding. A combination of sales taxes (13.3%), hotel taxes (2.7%), franchise fees (3.4%), and payments in lieu of taxes received from business-type activities (0.1%) comprise 19.5% of the total revenues. The City’s property taxes contributed an additional 14.1% of total revenues.



Business-type Activities. Business-type activities increased the City’s net assets by \$ 8.8 million, or 10.0%. Business-type net assets accounted for 50.6% of the City’s total net assets. Revenues derived from charges for services account for 93.5% of business-type program revenues.

CITY OF GALVESTON

Table A-3

(Cost) of Services - Business Type Activities (in thousands)

For the Fiscal Year Ended September 30, 2009

With comparative totals for fiscal year ended September 30, 2008

Program	Expenses	Program Revenues	2009 Net Revenue (Cost) of Services	2008 Net Revenue (Cost) of Services
Waterworks system	\$ 13,060	\$ 14,479	\$ 1,419	\$ 1,290
Sewer system	9,900	12,638	2,738	2,860
Sanitation services	3,907	3,893	(14)	572
Drainage utility	1,700	2,457	756	1,536
Airport	1,073	1,125	52	(224)
Totals	\$ 29,641	\$ 34,591	\$ 4,951	\$ 6,034

As indicated in Table A-3 above, expenses of the public utility related funds (Waterworks system, Sewer system, Sanitation and Drainage) totaled \$ 28.6 million, or 96.4% of all the expenses of business-type activities.

Related revenues of those funds totaled \$33.5 million, or 96.7% of all business-type revenues. Public utility related funds operating revenues for the prior year were \$ 35.9 million and expenses were \$ 29.6 million. Resultant from Hurricane Ike, consumption decreased 12.0% in fiscal year 2009.

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

The net excess of program revenues over expenses for the four public utility related funds was \$ 4.9 million compared to \$ 6.3 million in 2008. In total, business type activity excess revenues over expenses were \$ 5.0 million in 2009 compared to \$ 6.0 million in 2008.

Table A-4 shows business-type activities revenues by source. Charges for services provided 91.2% of the total, capital grants and contributions provided 6.3% and interest earnings and other provided the balance of 2.4%.

CITY OF GALVESTON

Table A-4

Revenues by Source- Business Type Activities (in thousands)

For the Fiscal Year Ended September 30, 2009

With comparative totals for fiscal year ended September 30, 2008

	2009		2008	
	Dollars	Percentage	Dollars	Percentage
Charges for services	\$ 32,338	91.2%	\$ 34,910	90.1%
Capital grants and contributions	2,253	6.3%	1,925	5.0%
Other	904	2.4%	1,942	4.9%
Totals	\$ 35,495	100%	\$ 38,777	100%

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following is of note relating to governmental funds:

- Total assets of the General Fund grew from \$17.7 million in fiscal 2008 to \$20.9 million in fiscal 2009. Cash and temporary investments amount to \$14.0 million or 67.1% of total assets and net receivables are reported at \$6.8 million, or 32.4% of the total. Sales and property taxes along with franchise fees account for 12.8% of net receivables.
- General Fund liabilities increased by \$0.7 million. Liabilities were \$4.2 million in 2009. Deferred revenue from property taxes amounted to 49.5% of General Fund liabilities compared to 43.8% for fiscal year 2008.
- General Fund actual revenues were \$2.3 million less than budgeted for the 2008-2009 fiscal year. Significant variances were in sales tax revenues, under budget by \$634,000 and franchise taxes, under budget by \$733,000. The revenue shortfall was identified early in the year and measures were taken to suspend all capital spending as well as implement immediate spending limits on all discretionary items and freeze all hiring. Vacancy lapse and spending constraints resulted in favorable variances in actual expenditures incurred compared to budgeted appropriations by \$4.7 million.

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

- The General fund's unreserved, undesignated fund balance increased \$2.3 million in 2009 to \$13.8 million. The favorable variance in expenditures, as mentioned above, contributed to the gain in fund balance.
- The General Fund unreserved, designated-for-emergency fund balance increased from \$2.6 million in 2008 to \$2.8 million in 2009. A \$200 thousand increase has been provided in the 2009-2010 budget.
- Other governmental non-major funds (19 separate funds) have cash and investments totaling \$23.8 million, comprising 22.9% of the total assets of all governmental funds.
- The fund balance of the Debt Service Fund increased by \$ 549,678 to \$ 4.5 million at the end of 2009.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 74.2 million. Of this amount, \$ 47.0 million constitutes unreserved fund balance, which is available for spending at the government's discretion. Reserves are reported for operations (\$ 9.7 million), capital project (\$ 5.9 million) and debt service (\$ 11.7 million).

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

Total assets of the Waterworks system and the Sewer system are \$190.2 million, which comprises 88.2% of the total assets of all proprietary funds. Unrestricted net assets (deficit) of those two funds are \$8.5 million and \$8.4 million respectively.

General Fund Budgetary Highlights

A primary goal for the General Fund operating budget is that current budgeted revenues will equal or exceed current budgeted expenditures. Only unforeseen or emergency circumstances will be considered justification for utilizing the fund balance or contingency funds during the annual budget process. During fiscal year 2009 all departments were within budgeted appropriations as detailed in the included exhibits of the Financial Statements.

The adopted budget for fiscal year 2009 set General Fund revenue and expenditures at \$ 42.9 million (exclusive of transfers), a 3.5% increase in estimated revenue over the prior year. The property tax rate remained the same as the prior year, at \$0.494 mills. While the 2009 budget was developed prior to and did not contemplate Hurricane Ike, allowances for an 8.5% decrease in revenues were implemented October 1, 2008. As a consequence of the hurricane, revenues were anticipated to decrease 10% for property tax, 10% for sales tax and 2.5% for all other revenues. An offset amount was identified in the General Fund spending budget, ultimately suspending \$3.1 million from appropriations. The City incurred an actual decline in General Fund revenues of 5.3%. Property taxes were down \$136,000 or 1% compared to budget. Sales tax was down 4.3% or \$634,000. Franchise taxes, tied to consumption, were off \$733,000 and fines and forfeits were off \$400,000. Investment earnings, tied to pool investment performance, were down \$394,000 compared to budget. Actions by the Federal Open Market Committee held fixed income rates low most of the year.

General Fund expenditures were \$4.6 million under appropriation. Budget suspensions, a hiring freeze and other cost cutting measures resulted in savings in all departments. Departments reported a favorable variance to budgets in all areas, including general government, \$741,000; public safety, \$1,995,000; public works, \$834,000; culture and recreation, \$387,000; and planning and community development,

CITY OF GALVESTON

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

\$249,000; transportation , \$94,000 and capital outlay, \$278,000. Vacancy lapse, suspension of capital spending and other restrictive spending policies contributed to the favorable year-end results.

Capital Asset and Debt Administration

CITY OF GALVESTON

Table A-5

Capital Assets, net of depreciation where applicable (in thousands)

September 30, 2009

With comparative totals for September 30, 2008

	Governmental activities		Busines - type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,716	\$ 2,716	\$ 2,449	\$ 2,449	\$ 5,165	\$ 5,165
Infrastructure	55,223	53,007	64,625	62,210	119,848	115,217
Buildings	39,627	34,944	29,596	30,561	69,223	65,505
Equipment and furniture	8,134	6,117	5,674	5,319	13,808	11,436
Contractual water rights			20,950	15,368	20,950	15,368
Construction in progress	1,773	8,610	21,971	12,777	23,744	21,387
Totals	<u>\$ 107,472</u>	<u>\$ 105,394</u>	<u>\$ 145,265</u>	<u>\$ 128,684</u>	<u>\$ 252,738</u>	<u>\$ 234,078</u>

As shown in Table A-5, at the end of 2009, the City’s investment in capital assets has a carrying value of \$252.7 million. This includes a broad range of capital assets, such as utility system infrastructure, contractual rights to the City’s water supply, streets, airport structures and runways, several buildings, police and fire equipment, park facilities, and other equipment and furniture. Governmental funds contributed \$107.5 million in capital assets, while business-type activities have invested in \$145.3 million of capital assets.

Governmental capital assets subject to depreciation increased \$8.9 million. Construction in progress decreased \$6.8 million. Depreciation expense accounted for a decrease in carrying value of \$6.0 million.

Business type capital assets subject to depreciation increased \$7.4 million. Construction in progress increased \$9.2 million. Depreciation expense accounted for a decrease in carrying value of \$6.5 million.

Total construction in progress has increased from \$21.4 million in fiscal year 2008 to \$23.7 million at the close of fiscal year 2009. This is due in large part to expenditures of \$9.3 million for the 30th Street pump station. The completion of the McGuire Dent Recreation Center in the amount of \$3.9 million decreased construction in progress for the year. Other construction projects completed were traffic signals, which were capitalized at \$1.9 million and streets in Sea Isle Subdivision at \$1.4 million.

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

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$179.8 million. Of this amount, \$21.0 million was comprised of debt backed by the full faith and credit of the government and \$34.0 million was comprised of special assessment debt for which the government is liable in the event of a deficiency in the amount of hotel tax revenue collected. The remainder of the City’s debt (\$82.6 million) primarily represents bonds secured solely by specified revenue sources, \$43.7 million and certificates of obligation, \$38.9 million.

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

CITY OF GALVESTON
Outstanding Debt (in thousands)
September 30, 2009
With comparative totals for September 30, 2008

Table A-6

	Governmental activities		Business - type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 20,963	\$ 21,967	\$	\$	\$ 20,963	\$ 21,967
Special obligation bonds	34,010	35,535			34,010	35,535
Contracts payable			42,300	37,684	42,300	37,684
Revenue bonds			43,670	45,420	43,670	45,420
Certificates of obligation	22,752	22,905	16,146	16,849	38,899	39,754
Notes payable	23,884	1,462	9,684	8,145	33,567	9,607
Capital lease obligations	319	542	921	1,278	1,240	1,820
Total Debt	\$ 101,928	\$ 82,411	\$ 112,721	\$ 109,375	\$ 214,649	\$ 191,786

The City's total debt overall increased 11.9% during the current fiscal year. Notes payable increased \$24.0 million, representing a \$5 million loan from Federal Emergency Management Agency and a \$20 million line of credit loan for disaster assistance.

On January 26, 2009 Standard and Poor's downgraded the City's general obligation and revenue bond rating from A2 to BBB. The rating service cited damage caused by Hurricane Ike and a significant long-term impact on the City's economy and local revenue base as the basis for their action. The City maintains an "A2" rating from Moody's for its general obligation debt and certificates of obligation.

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

Economic Factors and Next Year's Budgets and Rates

Over 17,000 to 22,000 primary housing and rental homes were damaged to some degree by Hurricane Ike's tidal surge. Appraised values declined 17.3% compared to the prior year. The city adopted a tax rate of \$0.554 mills, the maximum permitted under local charter limit. Property, sales and other tax revenue contribute 34.1% of the City's Government fund revenue. The City's budgeted property tax revenue has been projected to decrease 4.5% over the prior year. Appraised values decreased by \$632 million, bringing net taxable roll values to \$3 billion. Sales tax revenue has been budgeted to decrease 1.0% based on a five-year historical trend and regional economic data.

The property tax rate increased from \$0.494 to \$0.554 per \$100 valuation for fiscal year 2009-2010. The rate for the General Fund (maintenance and operation) increased 12.0% from 39.31cents to 44.04 cents per \$100. Property tax revenue is projected to be down \$862,000 in the 2010 year.

The 2010 budget includes the use of fund balance to assist in meeting its obligations, at least in the short term, until the Island's revenue streams can stabilize. In the General Fund, the City has budgeted \$7 million from fund balance to provide recovery funds for operations (\$3.6 million), vehicle replacements (\$860,000) and provide funds for collective bargaining and health care costs increases of \$2.5 million.

There were no rate increases in the Enterprise funds.

Unemployment rate for the City is currently 7.7%, which is an increase from a rate of 5.6% a year ago. This compares favorably to the state's average unemployment rate of about 8.2% and to the national average rate of 9.8% as of year-end.

All of these factors were considered in preparing the City's budget for the 2010 fiscal year.

CITY OF GALVESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Galveston, 823 Rosenberg, Galveston, TX 77553.

Basic Financial Statements

CITY OF GALVESTON, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 39,589,733	\$ 13,575,436	\$ 53,165,169
Investments			
Receivables, net of allowance for uncollectibles	6,015,112	8,555,940	14,571,052
Internal balances	(4,105,979)	4,105,979	
Due from other governments	32,129,386		32,129,386
Due from component units	19,323,672		19,323,672
Restricted assets	29,983,859	42,581,788	72,565,647
Inventories	552,200	54,310	606,510
Prepaid items	435,005	52,959	487,964
Deferred charges	45,068	2,010,757	2,055,825
Net investments in direct financing lease			
Capital assets not being depreciated	4,488,704	24,419,892	28,908,596
Capital assets net of depreciation	102,983,734	120,844,646	223,828,380
Total Assets	231,440,494	216,201,707	447,642,201
Liabilities			
Accounts payable and accrued expenses	13,701,471	2,911,658	16,613,129
Accrued interest	870,166	1,059,702	1,929,868
Due to other governments	334,630	245,323	579,953
Due to primary government			
Unearned revenue	9,021,195	72,817	9,094,012
Customer deposits		2,219,660	2,219,660
Long-term liabilities:			
Due within one year	2,554,399	6,420,151	8,974,550
Due in more than one year	110,810,150	106,706,066	217,516,216
Total Liabilities	137,292,011	119,635,377	256,927,388
Net Assets			
Invested in capital assets, net of related debt	49,607,154	65,038,599	114,645,753
Restricted for:			
Capital projects	5,507,511		5,507,511
Debt service	10,905,422	7,173,242	18,078,664
Other purposes	9,275,644		9,275,644
Unrestricted	18,852,752	24,354,489	43,207,241
Total net assets	\$ 94,148,483	\$ 96,566,330	\$ 190,714,813

See Notes to Financial Statements.

Exhibit 1

Component Units	
Governmental Activities	Business-Type Activities
\$ 8,118,798	\$ 10,008,949
15,165	299,654
2,477,775	30,962,077
609,671	
681,032	37,536,679
96,863	364,362
60,547	1,314,324
	12,012,194
	24,039,141
319,186,668	69,145,987
<u>331,246,519</u>	<u>185,683,367</u>
3,051,713	22,918,116
195,649	1,293,793
128,473	197,072
	19,323,672
	3,897,001
1,255,406	4,682,676
<u>10,316,099</u>	<u>51,826,194</u>
<u>14,947,340</u>	<u>104,138,524</u>
317,554,606	56,794,515
685,695	7,754,830
849,872	
(2,790,994)	16,995,498
<u>\$ 316,299,179</u>	<u>\$ 81,544,843</u>

CITY OF GALVESTON
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 5,741,973	\$ 1,627,578	\$ 489,232	\$ 316,072
Public safety	29,390,345	2,594,966	1,645,828	
Public works	69,234,418	29,781	76,729,733	
Culture and recreation	10,764,213	8,464	979,942	1,854
Planning and community development	4,236,948	1,889,880	1,653,127	
Transportation system	5,120,071	460,823	3,034,302	447,776
Interest on long-term debt	2,756,946			
Total governmental activities	127,244,914	6,611,492	84,532,164	765,702
Business-type Activities				
Waterworks	13,060,375	14,167,573		310,989
Sewer system	9,900,227	11,081,645		1,556,366
Sanitation	3,907,327	3,888,154		5,189
Drainage	1,700,148	2,417,609		38,970
Airport	1,072,704	783,496		341,283
Total business-type activities	29,640,781	32,338,477		2,252,797
Total primary government	\$ 156,885,695	\$ 38,949,969	\$ 84,532,164	\$ 3,018,499
Component Units				
Governmental activities	\$ 32,254,334	\$ 3,408,781	\$ 1,200,744	\$ 9,131,323
Business-type activities	18,762,053	22,501,386	5,909,385	123,938
Total component units	\$ 51,016,387	\$ 25,910,167	\$ 7,110,129	\$ 9,255,261
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Hotel occupancy taxes				
Franchise fees				
Payments in lieu of taxes				
Unrestricted investment earnings				
Miscellaneous				
Extraordinary item - insurance proceeds related to Hurricane Ike				
Extraordinary item - gain on restoration of assets due to Hurricane Ike				
Extraordinary item - clean up and repair - Hurricane Ike				
Transfers				
Total general revenues, extraordinary items and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities
\$ (3,309,091)		\$ (3,309,091)		
(25,149,551)		(25,149,551)		
7,525,096		7,525,096		
(9,773,953)		(9,773,953)		
(693,941)		(693,941)		
(1,177,170)		(1,177,170)		
(2,756,946)		(2,756,946)		
<u>(35,335,556)</u>		<u>(35,335,556)</u>		
	\$ 1,418,187	1,418,187		
	2,737,784	2,737,784		
	(13,984)	(13,984)		
	756,431	756,431		
	52,075	52,075		
	<u>4,950,493</u>	<u>4,950,493</u>		
<u>(35,335,556)</u>	<u>4,950,493</u>	<u>(30,385,063)</u>		
			\$ (18,513,486)	\$
			<u>(18,513,486)</u>	<u>9,772,656</u>
				<u>9,772,656</u>
19,717,684		19,717,684	2,480,261	
18,587,773		18,587,773	711,520	
3,741,909		3,741,909	5,210,343	
4,806,846		4,806,846		
119,753		119,753		
218,861	876,525	1,095,386	198,115	1,014,623
418,401	27,971	446,372		(3,027,497)
4,862,566	3,509,170	8,371,736	18,678,054	21,124,889
1,112,359		1,112,359		1,533,110
				(18,885,009)
562,136	(562,136)			
<u>54,148,288</u>	<u>3,851,530</u>	<u>57,999,818</u>	<u>27,278,293</u>	<u>1,760,116</u>
18,812,732	8,802,023	27,614,755	8,764,807	11,532,772
75,335,751	87,764,307	163,100,058	307,534,372	70,012,071
<u>\$ 94,148,483</u>	<u>\$ 96,566,330</u>	<u>\$ 190,714,813</u>	<u>\$ 316,299,179</u>	<u>\$ 81,544,843</u>

CITY OF GALVESTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

Exhibit 3

	<u>General Fund</u>	<u>Island Transit</u>	<u>Hurricane Ike</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 14,020,198	\$ 200	\$	\$ 23,791,956	\$ 37,812,354
Restricted cash and investments			26,270,077		26,270,077
Receivables, net of allowance for uncollectibles	3,458,468	167,128	770,525	1,266,932	5,663,053
Due from other governments	2,376,767	962,071	26,583,180	2,207,370	32,129,388
Due from other funds	936,544			753,592	1,690,136
Inventories		363,212			363,212
Prepaid items	100,407				100,407
Total Assets	<u>\$ 20,892,384</u>	<u>\$ 1,492,611</u>	<u>\$ 53,623,782</u>	<u>\$ 28,019,850</u>	<u>\$ 104,028,627</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 313,985	\$ 52,387	\$ 9,761,214	\$ 1,228,441	\$ 11,356,027
Accrued expenditures	1,501,261	88,917	39,143	33,373	1,662,694
Due to other funds	1,656	779,265	3,693,665	909,215	5,383,801
Payable to other governments	312,733			21,897	334,630
Deferred revenue	2,085,379	92,910	6,954,336	1,912,077	11,044,702
Total Liabilities	<u>4,215,014</u>	<u>1,013,479</u>	<u>20,448,358</u>	<u>4,105,003</u>	<u>29,781,854</u>
Fund balances:					
Reserved for:					
Inventories		363,212			363,212
Prepaid items	100,407				100,407
Capital projects				5,863,914	5,863,914
Debt service				11,688,966	11,688,966
Other purposes	2,825,226			6,450,418	9,275,644
Unreserved	13,751,737	115,920	33,175,424		47,043,081
Unreserved, undesignated, reported in:					
Special revenue funds				(32,382)	(32,382)
Capital projects funds				(56,069)	(56,069)
Total Fund Balances	<u>16,677,370</u>	<u>479,132</u>	<u>33,175,424</u>	<u>23,914,847</u>	<u>74,246,773</u>
Total Liabilities and Fund Balances	<u>\$ 20,892,384</u>	<u>\$ 1,492,611</u>	<u>\$ 53,623,782</u>	<u>\$ 28,019,850</u>	<u>\$ 104,028,627</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS*Exhibit 4***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS***September 30, 2009*

Total fund balance, governmental funds	\$ 74,246,773
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Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.	104,542,736
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Property taxes receivable	1,575,899
Adjudicated municipal court fines	447,608
Long-term receivable from component unit	19,323,672

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	764,464
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Bonds payable	(96,796,437)
Capital lease obligation	(319,220)
Compensated absences	(7,936,914)
Accrued interest	(870,166)
Net pension obligation	(602,657)
Deferred bond issuance premium / discount	(227,275)

Net Assets of Governmental Activities in the Statement of Net Assets	\$ 94,148,483
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See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

Exhibit 5

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

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	<u>General Fund</u>	<u>Island Transit</u>	<u>Hurricane Ike</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 15,502,968	\$	\$	\$ 4,027,384	\$ 19,530,352
Sales and use taxes	13,946,482			8,383,200	22,329,682
Franchise fees	4,806,846				4,806,846
Licenses and permits	1,784,222				1,784,222
Fines and forfeitures	2,218,872			107,203	2,326,075
Charges for services	1,413,043	508,227		154,664	2,075,934
Investment earnings	181,648		6,258	226,638	414,544
Intergovernmental	31,005	2,388,450	78,861,290	2,696,664	83,977,409
Other	680,423	6,326		740,642	1,427,391
Payments in lieu of taxes	119,753				119,753
Total Revenues	<u>40,685,262</u>	<u>2,903,003</u>	<u>78,867,548</u>	<u>16,336,395</u>	<u>138,792,208</u>
Expenditures					
Current:					
General government	5,106,611		707,137	120,365	5,934,113
Public safety	26,433,887		1,959,975	280,505	28,674,367
Highways and roads	2,747,489		63,423,396		66,170,885
Culture and recreation	1,761,307		168,741	6,870,603	8,800,651
Planning and community development	1,634,129		193,936	1,465,025	3,293,090
Transportation	741,336	2,732,825	548,704	396,094	4,418,959
Debt Service:					
Principal	222,799			1,826,067	2,048,866
Interest and other charges	22,620			3,428,485	3,451,105
Capital outlay	418,870		3,558,864	3,245,286	7,223,020
Total Expenditures	<u>39,089,048</u>	<u>2,732,825</u>	<u>70,560,753</u>	<u>17,632,430</u>	<u>130,015,056</u>
Excess (deficiency) of revenues over expenditures	<u>1,596,214</u>	<u>170,178</u>	<u>8,306,795</u>	<u>(1,296,035)</u>	<u>8,777,152</u>
Other Financing Sources (Uses)					
Proceeds from loan			22,500,000		22,500,000
Sale of assets	21,898				21,898
Capital contributions	316,072				316,072
Transfers in	600,000		16,446	4,080,005	4,696,451
Transfers (out)				(4,080,005)	(4,080,005)
Total Other Financing Sources (Uses)	<u>937,970</u>		<u>22,516,446</u>		<u>23,454,416</u>
Extraordinary item - insurance proceeds related to Hurricane Ike	9,390	14,357	2,352,183	2,533,805	4,909,735
Net change in fund balances	2,543,574	184,535	33,175,424	1,237,770	37,141,303
Fund balances - beginning	<u>14,133,796</u>	<u>294,597</u>		<u>22,677,077</u>	<u>37,105,470</u>
Fund balances - ending	<u>\$ 16,677,370</u>	<u>\$ 479,132</u>	<u>\$ 33,175,424</u>	<u>\$ 23,914,847</u>	<u>\$ 74,246,773</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

Exhibit 6

**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, 2009

Net change in fund balances - total governmental funds: \$ 37,141,303

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 capital outlay (\$5,818,377) exceeds depreciation (\$5,170,348) in the current period. 648,029

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. 21,898

Similarly, governmental funds do not report non-cash activities involving capital assets. The following losses are, however, reported in the government-wide financial statements:

Gain on restoration of assets due to Hurricane Ike 1,112,359

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues (property taxes and municipal fines) are reported in the Statement of Activities when earned. 397,323

Governmental funds report proceeds from new debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Proceeds from loan (22,500,000)
Bond principal repayments 1,819,608
Repayment of accreted interest 725,404
Lease principal payments 222,801

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 120,464
Changes in accrued compensated absences (33,510)
Changes in net pension obligation 613,200

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (1,476,147)

Change in net assets of governmental activities \$ 18,812,732

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL (Budgetary Basis)

MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive/(Negative)
	Original	Final		
Revenues				
Property taxes	\$ 15,638,858	\$ 15,638,858	\$ 15,502,968	\$ (135,890)
Sales and use taxes	14,580,503	14,580,503	13,946,482	(634,021)
Franchise taxes	5,539,581	5,539,581	4,806,846	(732,735)
Licenses and permits	985,058	985,058	1,784,222	799,164
Intergovernmental	122,195	122,195	119,753	(2,442)
Charges for services	2,049,287	2,049,287	1,413,043	(636,244)
Fines and forfeitures	2,619,172	2,619,172	2,218,872	(400,300)
Investment earnings	575,611	575,611	181,508	(394,103)
Other	800,105	800,105	680,423	(119,682)
Total Revenues	42,910,370	42,910,370	40,654,117	(2,256,253)
Expenditures				
Current:				
General government	5,672,957	5,847,861	5,106,611	741,250
Public safety	28,817,957	28,643,053	26,648,303	1,994,750
Public works	3,659,814	3,659,814	2,825,865	833,949
Culture and recreation	2,147,857	2,147,857	1,761,309	386,548
Planning and community development	1,883,415	1,883,415	1,634,126	249,289
Transportation	850,000	850,000	756,364	93,636
Vehicle capital outlay	278,370	278,370		278,370
Total Expenditures	43,310,370	43,310,370	38,732,578	4,577,792
Excess (deficiency) of revenues over expenditures	(400,000)	(400,000)	1,921,539	2,321,539
Other Financing Sources (Uses)				
Transfer to emergency reserves	(200,000)	(200,000)	(200,000)	
Sale of assets			21,898	21,898
Transfers in (out)	600,000	600,000	600,000	
Total Other Financing Sources (Uses)	400,000	400,000	421,898	21,898
Extraordinary item-insurance proceeds related to Hurricane Ike			9,390	9,390
Net change in fund balance			2,352,827	2,352,827
Fund balances - beginning	13,030,883	13,030,883	13,030,883	
Fund balances - ending	\$ 13,030,883	\$ 13,030,883	\$ 15,383,710	\$ 2,352,827

See Notes to Financial Statements.

<i>ISLAND TRANSIT</i>			
Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive/(Negative)
Original	Final		
\$	\$	\$	\$
2,836,504	2,836,504	2,388,450	(448,054)
1,220,000	1,220,000	508,227	(711,773)
<u>50,000</u>	<u>50,000</u>	<u>6,326</u>	<u>(43,674)</u>
<u>4,106,504</u>	<u>4,106,504</u>	<u>2,903,003</u>	<u>(1,203,501)</u>
4,078,214	4,052,571	2,732,825	1,319,746
<u>4,078,214</u>	<u>4,052,571</u>	<u>2,732,825</u>	<u>1,319,746</u>
<u>28,290</u>	<u>53,933</u>	<u>170,178</u>	<u>116,245</u>
40,000	14,357	14,357	
68,290	68,290	184,535	116,245
294,597	294,597	294,597	
<u>\$ 362,887</u>	<u>\$ 362,887</u>	<u>\$ 479,132</u>	<u>\$ 116,245</u>

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CITY OF GALVESTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

Exhibit 8

	Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and temporary investments	\$ 5,891,353	\$ 4,692,669	\$ 2,991,414	\$ 13,575,436	\$ 1,777,379
Accounts receivable, net of allowance for doubtful accounts	2,628,825	3,197,645	2,729,471	8,555,941	352,060
Due from other funds	353,565	1,057,907	2,097,698	3,509,170	184,495
Inventories	27,155	27,155		54,310	188,988
Prepaid expenses	15,177	15,177	22,605	52,959	334,598
Restricted assets:					
Cash and investments	18,604,955	16,924,401	1,182,905	36,712,261	3,713,782
Investment with trustee	5,869,527			5,869,527	
Total current assets	33,390,557	25,914,954	9,024,093	68,329,604	6,551,302
Non-current assets:					
Deferred charges	1,506,395	496,136	8,226	2,010,757	45,068
Capital assets not being depreciated	15,866,623	5,661,621	2,891,648	24,419,892	
Capital assets (net of depreciation)	60,141,515	47,212,090	13,491,041	120,844,646	2,929,698
Total non-current assets	77,514,533	53,369,847	16,390,915	147,275,295	2,974,766
Total Assets	110,905,090	79,284,801	25,415,008	215,604,899	9,526,068
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	2,016,223	639,540	255,895	2,911,658	612,424
Accrued interest payable	493,313	561,526	4,863	1,059,702	70,326
Due to other governments	21,621		223,702	245,323	
Customer deposits	1,106,579	1,113,081		2,219,660	
Unearned revenue		500	72,317	72,817	
Long-term debt, current portion					
Compensated absences	8,916	36,085	20,257	65,258	
Capital lease obligation			272,018	272,018	
Contracts payable	2,709,675			2,709,675	
Notes payable	495,050	495,050		990,100	82,217
Bonds and certificates of obligation payable	938,266	1,339,834	105,000	2,383,100	81,900
Total Current Liabilities	7,789,643	4,185,616	954,052	12,929,311	846,867
Non-current liabilities:					
Long-term debt, noncurrent portion:					
Compensated absences	188,106	347,665	427,092	962,863	366,607
Capital lease obligation			649,020	649,020	
Claims and judgments					2,003,054
Contracts payable	39,590,070			39,590,070	300,112
Notes payable	5,596,761	3,096,761		8,693,522	1,301,332
Bonds and certificates of obligation payable	24,904,568	31,576,023	330,000	56,810,591	3,346,824
Total non-current liabilities	70,279,505	35,020,449	1,406,112	106,706,066	7,317,929
Total Liabilities	78,069,148	39,206,065	2,360,164	119,635,377	8,164,796
Net Assets					
Invested in capital assets, net of related debt	21,450,664	27,489,744	16,098,191	65,038,599	1,574,642
Restricted for debt service	2,876,209	4,182,305	114,728	7,173,242	186,239
Unrestricted	8,509,069	8,406,687	6,841,925	23,757,681	(399,609)
Total Net Assets	\$ 32,835,942	\$ 40,078,736	\$ 23,054,844	\$ 95,969,522	\$ 1,361,272

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Assets.
Total net assets per Government-Wide financial statements

596,808
\$ 96,566,330

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds		
	Waterworks System	Sewer System	Other Enterprise Funds
Operating Revenues			
Charges for services	\$ 14,167,573	\$ 11,081,645	\$ 7,089,265
Miscellaneous	24,428	6,554	18,298
Total Operating Revenues	<u>14,192,001</u>	<u>11,088,199</u>	<u>7,107,563</u>
Operating Expenses			
Personnel services	1,299,197	2,450,648	3,143,156
Contractual services	608,585	1,655,498	1,715,686
Supplies and materials	817,946	915,390	128,363
Surface water contract	5,429,512		
Insurance claims and premiums			
Other expenses	332,060	415,377	334,706
Administrative charge	580,482	354,283	273,504
Depreciation	3,060,510	2,538,589	856,907
Total Operating Expenses	<u>12,128,292</u>	<u>8,329,785</u>	<u>6,452,322</u>
Operating income (loss)	<u>2,063,709</u>	<u>2,758,414</u>	<u>655,241</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	670,344	158,026	48,157
Gain (loss) on disposal of capital assets	(15,781)	7,666	(5,528)
Interest expense	(827,856)	(1,572,630)	(62,679)
Amortization of bond issuance costs	(116,403)	(52,118)	(2,244)
Total Non-Operating Revenues (Expenses)	<u>(289,696)</u>	<u>(1,459,056)</u>	<u>(22,294)</u>
Income (loss) before contributions and transfers	1,774,013	1,299,358	632,947
Capital contributions	310,989	1,556,366	385,442
Transfers in			48,597
Transfers out	(202,048)	(202,175)	(206,510)
Extraordinary item - insurance proceeds related to Hurricane Ike	353,565	1,097,907	2,097,698
Change in net assets	<u>2,236,519</u>	<u>3,751,456</u>	<u>2,958,174</u>
Total net assets - beginning	<u>30,599,423</u>	<u>36,327,280</u>	<u>20,096,670</u>
Total net assets - ending	<u>\$ 32,835,942</u>	<u>\$ 40,078,736</u>	<u>\$ 23,054,844</u>

Change in net assets, per above

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.

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

See Notes to Financial Statements.

Exhibit 9

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 32,338,483	\$ 12,133,526
49,280	42,019
32,387,763	12,175,545
6,893,001	1,901,299
3,979,769	1,866,669
1,861,699	2,277,914
5,429,512	7,205,337
1,082,143	700,897
1,208,269	
6,456,006	156,548
26,910,399	14,108,664
5,477,364	(1,933,119)
876,527	58,751
(13,643)	6,026
(2,463,165)	(254,434)
(170,765)	(2,723)
(1,771,046)	(192,380)
3,706,318	(2,125,499)
2,252,797	235,547
48,597	
(610,733)	(54,310)
3,549,170	323,989
8,946,149	(1,620,273)
87,023,373	2,981,545
\$ 95,969,522	\$ 1,361,272
\$ 8,946,149	
(144,126)	
\$ 8,802,023	

CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

Exhibit 10

	Enterprise Funds				Governmental Activities
	Waterworks System	Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 14,690,614	\$ 11,355,394	\$ 7,174,383	\$ 33,220,391	\$ 12,541,633
Disbursed for personnel services	(1,246,543)	(2,409,340)	(3,061,082)	(6,716,965)	(1,852,827)
Disbursed for goods and services	(6,220,684)	(3,492,907)	(2,227,815)	(11,941,406)	(11,147,912)
Administrative service charge	(580,482)	(354,283)	(273,504)	(1,208,269)	
Other operating revenues	24,428	6,554		30,982	
Net cash provided (used) by operating activities	<u>6,667,333</u>	<u>5,105,418</u>	<u>1,611,982</u>	<u>13,384,733</u>	<u>(459,106)</u>
Cash Flows from Non-Capital Financing Activities					
Interfund transfers in			48,597	48,597	
Interfund transfers out	(202,048)	(202,175)	(206,510)	(610,733)	(54,310)
Proceeds from issuance of loan	2,500,000			2,500,000	
Net cash provided (used) by noncapital financing activities	<u>2,297,952</u>	<u>(202,175)</u>	<u>(157,913)</u>	<u>1,937,864</u>	<u>(54,310)</u>
Cash Flows from Capital and Related Financing Activities					
Payments for capital acquisitions (net of sales)	(11,441,464)	(1,628,279)	(760,485)	(13,830,228)	(210,791)
Principal payments on debt - bonds	(2,779,207)	(1,463,361)	(100,000)	(4,342,568)	
Principal payments on debt- long term contracts	(480,473)	(480,473)		(960,946)	(211,210)
Principal payments on debt- capital leases			(356,696)	(356,696)	
Interest paid on revenue bonds & long term contracts	(1,032,582)	(1,366,430)	(17,440)	(2,416,452)	70,326
Interest paid on capital leases	(138,612)	(116,797)	(46,189)	(301,598)	(254,434)
Proceeds from insurance		40,000		40,000	30,190
Net cash used by capital and related financing activities	<u>(15,872,338)</u>	<u>(5,015,340)</u>	<u>(1,280,810)</u>	<u>(22,168,488)</u>	<u>(575,919)</u>
Cash Flows from Investing Activities					
Investment with trustee	315,758			315,758	
Interest on investments	670,344	158,025	48,157	876,526	58,751
Net cash provided (used) by investing activities	<u>986,102</u>	<u>158,025</u>	<u>48,157</u>	<u>1,192,284</u>	<u>58,751</u>
Net increase (decrease) in cash and equivalents	(5,920,951)	45,928	221,416	(5,653,607)	(1,030,584)
Cash and equivalents, beginning of year	<u>30,417,259</u>	<u>21,571,142</u>	<u>3,952,903</u>	<u>55,941,304</u>	<u>6,521,745</u>
Cash and equivalents, end of year	<u>\$ 24,496,308</u>	<u>\$ 21,617,070</u>	<u>\$ 4,174,319</u>	<u>\$ 50,287,697</u>	<u>\$ 5,491,161</u>
Unrestricted cash and equivalents	\$ 5,891,353	\$ 4,692,669	\$ 2,991,414	\$ 13,575,436	\$ 1,777,379
Restricted cash and equivalents	18,604,955	16,924,401	1,182,905	36,712,261	3,713,782
	<u>\$ 24,496,308</u>	<u>\$ 21,617,070</u>	<u>\$ 4,174,319</u>	<u>\$ 50,287,697</u>	<u>\$ 5,491,161</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 2,063,709	\$ 2,758,414	\$ 655,241	\$ 5,477,364	\$ (1,933,119)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,060,510	2,538,589	856,907	6,456,006	156,548
(Increase) decrease in accounts receivable	556,995	307,203	57,578	921,776	366,086
(Increase) decrease in inventory and prepaid expenses	7,673	7,673	(7,007)	8,339	6,183
(Increase) decrease in deferred revenue		500	9,248	9,748	
Increase (decrease) in accounts payable	959,746	(514,315)	(42,057)	403,374	896,724
Increase (decrease) in salaries payable	24,989	16,503	12,674	54,166	10,739
Increase (decrease) in customer deposits	(33,954)	(33,954)		(67,908)	
Increase (decrease) in compensated absences payable	27,665	24,805	69,398	121,868	37,733
Net cash provided (used) by operating activities	<u>\$ 6,667,333</u>	<u>\$ 5,105,418</u>	<u>\$ 1,611,982</u>	<u>\$ 13,384,733</u>	<u>\$ (459,106)</u>
Noncash investing, capital, and financing activities					
Interest forgiven on bonded debt	\$ 464,391	\$	\$	\$ 464,391	\$
Capital additions included in liabilities	6,970,000			6,970,000	
Contributed capital	310,989	1,556,366	385,442	2,252,797	235,551
Proceeds from insurance	353,565	1,057,907	2,097,698	3,509,170	293,799
Accrual for other post employment benefits					300,112
Loss on disposal of assets	(20,581)	(2,321)	(6,588)	(29,490)	
Net non cash transactions	<u>\$ 8,078,364</u>	<u>\$ 2,611,952</u>	<u>\$ 2,476,552</u>	<u>\$ 13,166,868</u>	<u>\$ 829,462</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2009

Exhibit 11

	Pension Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 6,506,944	\$ 875,339
Receivables:		
Interest and dividends	156,434	
Loans to participants	189,758	
Total receivables	<u>346,192</u>	<u> </u>
Investments:		
U.S. government obligations	3,517,569	
Common stock	28,428,304	
Equity funds	9,599,438	
Corporate and foreign bonds	16,924,357	
Fixed income funds	9,478,591	
Total investments	<u>67,948,259</u>	<u> </u>
Prepaid benefits	255,437	
Total assets	<u>75,056,832</u>	<u>875,339</u>
 Liabilities		
Accounts payable	120,132	3,534
Refunds payable and others		871,805
Total liabilities	<u>120,132</u>	<u>\$ 875,339</u>
 Net Assets		
Held in trust for benefits and other purposes	<u>\$ 74,936,700</u>	

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2009

Exhibit 12

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 3,460,418
Plan members	3,347,037
Total contributions	<u>6,807,455</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	(25,777,889)
Interest	477,192
Dividends	2,437,105
Investment activity expense	(717,085)
Total net investment earnings (loss)	<u>(23,580,677)</u>
Other Additions:	
Miscellaneous	61,649
Total additions (loss) on investments and contributions	<u>(16,711,573)</u>
Deductions	
Benefits	8,014,787
Administrative	344,611
Total deductions	<u>8,359,398</u>
Change in net assets	(25,070,971)
Net assets - beginning, as restated	<u>100,007,671</u>
Net assets - ending	<u><u>\$ 74,936,700</u></u>

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

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

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

A. Reporting Entity

As required by GAAP, 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is 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 City Council. The following blended component units are reported:

Industrial Development Corporation

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

Pension Funds

The City of Galveston Employee’s Retirement Plan for City Employees, Galveston Firefighters’ Pension Fund, and the City of Galveston Employee’s Retirement Plan for Police (the “Pension funds”) were created in accordance with State Statutes to provide benefits to non-civil service, firemen, police and City employees. The responsibility for administration and operation of the plan rests with each plan’s board. Each pension plan is funded by a contribution mix from employees and the City. The Pension funds are included in the City’s pension trust funds as of December 31, 2008.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Discretely Reported Component Units

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

Following are the City's discretely presented governmental type component units:

The Park Board of Trustees of the City of Galveston

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

Park Board of Trustees of the City of Galveston
2504 Church
Galveston, Texas 77550

Galveston Island Redevelopment Authority

Galveston Island Redevelopment Authority 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 Galveston Island Redevelopment Authority is made up of four different tax reinvestment zones - zones eleven, twelve, thirteen, and fourteen. These tax zones were established to provide funds for development and improvement projects within specific geographic areas of the City. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the Board members who operate and account for each tax zone activity consistent with the State statute for economic benefit of the City. The City accounts for the tax zones (consolidated into the Galveston Island Redevelopment Authority) and separate audited reports are available.

Public Improvement District - Campeche Shores

Campeche Shores Public Improvement District was established by the City to provide funds for development and improvement projects specifically for Campeche Shores District. An agreement between Galveston Island Redevelopment Authority (GIRA) and Campeche Shores LP dated April 28, 2005, details the responsibilities between all parties, including the City. Under the authority of GIRA, the City has established a Public Improvement District Fund for the District. Each year, following the levy and collection of Assessments, the City shall transfer the amount to GIRA. These funds are used by GIRA to pay the Administrative costs and to reimburse Campeche Shores LP for any and all costs associated with the Public Improvements. Separately issued financial statements are available through the Galveston Island Redevelopment Authority.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Public Improvement District - Preserve at Sweetwater Lake

The Preserve at Sweetwater Lake Public Improvement District was established by the City, in March 2007, to provide funds for development and improvement projects specifically for the Preserve at Sweetwater Lake District. The Galveston Island Redevelopment Authority (GIRA) has an agreement with The Preserve at Sweetwater Lake PID outlining responsibilities between all parties, including the City. Each year, following the levy and collection of Assessments, the City shall transfer the amount to GIRA. These funds are used by GIRA to pay the Administrative costs and to reimburse The Preserve at Sweetwater Lake for any and all costs associated with the Public Improvements. Separately issued financial statements are available through the Galveston Island Redevelopment Authority.

Following are the City's discretely presented business type component units:

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

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

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

The Board of Trustees of the Galveston Wharves

The Board of Trustees of the Galveston Wharves was created by the City Charter on October 17, 1940 to manage, control, and maintain the Galveston Wharves. The Board of Trustees of the Galveston Wharves, which is appointed by City Council, is a seven-member board, which is responsible for operating the Galveston Wharves. The Board of Trustees of the Galveston Wharves financial records is the Board's responsibility.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the Fund Financial Statements.

In September 1993, the Governmental Accounting Standards Board issued Statement No. 29, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which are effective for the City's financial statements for the year ending September 30, 2003. This statement provides guidance on accounting and financial reporting for business-type and enterprise fund activities. The City has elected alternative number one (1) from those provided by this standard. This alternative method elects to apply all GASB pronouncements, as well as FASB pronouncements that were issued after November 30, 1989.

C. Measurement Focus and Basis of Accounting

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.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

- **The General Fund** is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues for the General Fund are property taxes, sales and use taxes, franchise taxes, permit fees, fines and forfeitures. Expenditures are for general government, finance, public safety, public works, culture and recreation, planning and community development and transit operations.
- **The Island Transit Fund** accounts for the receipt and expenditure of Federal, State and Local revenues designated for transit and livable communities projects.
- **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 government reports the following major proprietary funds:

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

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Additionally, the government reports the following fund types:

- **Internal Service Funds** account for central services related to mailing, printing, data processing, insurance costs, and garage services provided to other City departments and functions of the government on a cost reimbursement basis.
- **Fiduciary Funds** account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include the following:
 - **The Pension Trust Funds** account for the activities of the City Employees Retirement Plan, the Galveston Firefighters' Pension Fund and the Police Retirement Fund.
 - **The Agency Funds** are used to account for assets held by the City as an agent for individuals, private organizations and other governments and/or other funds. This fund is custodial in nature and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally, are followed in both the Government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for goods and services. Operating expenses for enterprise funds include the cost of goods and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity

1. Deposits 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 and Texas Local Government Investment Pool ("TexPool"). All investments are recorded at fair value. TexPool is an external investment pool 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

2. 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 42.4% of total property taxes including the related penalty and interest accrual as of year-end. The allowance for enterprise fund charges for services is 25.5% 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.

3. 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, 2009, are recorded as prepaid items.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

4. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects as 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.

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

<u>Property, Equipment or Intangible Type</u>	<u>Estimated Useful Lives</u>
Buildings	20 - 75 years
Improvements	5 - 50 years
Equipment	2 - 40 years
Sewer Plants	50 - 75 years
Sewer Lines	40 - 75 years
Water Plants, Lines, Wells and Hydrants	50 - 75 years
Water Tanks and Valves	50 years
Water Meters	10 years
Infrastructure	5 - 75 years
Contractual Water Rights	30 years

5. 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.

6. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

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 Assets. Bond premiums and discounts, as well as issuance costs, 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 and bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

7. Fund Equity

In the fund financial statements of the governmental funds, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designations of fund equity represent tentative plans for future use of financial resources that are subject to change.

8. 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. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond future debt service” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. Other restricted accounts reflect money set aside by City Council action for improvements or to meet contractual obligations. Assets were restricted for the following as of year-end:

	Enterprise Funds				Total Business Type Activities
	Waterworks System	Sewer System	Sanitation	Drainage	
Restricted for:					
Capital projects	\$ 14,150,675	\$ 10,992,751	\$ 33,029	\$ 1,030,285	\$ 26,206,740
Debt service	3,347,707	4,743,831	119,591		8,211,129
Investments with Trustee -					
Capital Projects	5,869,527				5,869,527
Meter Deposits	1,106,573	1,187,819			2,294,392
	<u>\$ 24,474,482</u>	<u>\$ 16,924,401</u>	<u>\$ 152,620</u>	<u>\$ 1,030,285</u>	<u>\$ 42,581,788</u>

Note 1 - Summary of Significant Accounting Policies (continued)

E. 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.

F. Legal Compliance - Budgets

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

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

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

The City Charter requires that no funds shall be expended nor shall any obligation for the expenditure of money be incurred unless an appropriation exists in the duly adopted budget. Annual appropriations style budgets are adopted for the General Fund, the Island Transit, Rosenberg Library and Parks and Recreation Improvement Special Revenue Funds, the Debt Service Fund, and all Enterprise Funds. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund 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 Special Revenue 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 five budget amendments during FY 2009. Total appropriations did not increase. Appropriation balances lapse at year-end and may be re-appropriated by City Council.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Legal Compliance - Budgets (continued)

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

Revenue and Expenditure/Expenses Analysis in Comparison to Budget

A reconciliation of budgetary basis activities and GAAP basis activities follows:

	General Fund				GAAP Basis
	Budgetary Basis	Classification Differences	Unbudgeted Funds	Budgeted Transfer to Reserves	
Revenues	\$ 40,654,117	\$	\$ 31,145	\$	\$ 40,685,262
Expenditures	38,732,578		356,470		39,089,048
Revenues over (under) expenditures	1,921,539		(325,325)		1,596,214
Other financing sources (uses)	421,898		316,072	200,000	937,970
Extraordinary item-insurance proceeds related to Hurricane Ike	9,390				9,390
Net fund balance	2,352,827		(9,253)	200,000	2,543,574
Fund balance at beginning of year	13,030,883		2,913	1,100,000	14,133,796
Fund balance at end of year	\$ 15,383,710	\$	\$ (6,340)	\$ 1,300,000	\$ 16,677,370

Note 2 - Deposits and Investments

Credit Risk

The primary stated objective of the City of Galveston's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy is represented only in time and demand deposits, repurchase agreements, commercial paper, municipal obligations, and non-rated 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 US Government, its agencies or instrumentalities.

State law and the City of Galveston's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the State of Texas and further requires full insurance and/or collateralized from these depositories (banks and savings banks). Certificates of deposit are limited to a stated maturity of one year. Collateral, with a 102% margin, is required and collateral is limited to obligations of the US 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.

Note 2 - Deposits and Investments (continued)

Credit Risk (continued)

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).

By policy and state law commercial paper must be rated A1/P1 or equivalent by two nationally recognized rating agencies and is policy restricted to a maximum maturity of six (6) months.

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

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City Policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of September 30, 2009,

- investment in the State Treasurer's AAA-rated local government investment pool represented 88.45% of the total portfolio, and
- holdings in a rated money market mutual fund represented 11.55% of the total portfolio.

Concentration of Credit Risk:

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:

▪ US Treasury Obligations	90 %
▪ US Agency/Instrumentality Obligations	90 %
▪ SEC Registered Money Market Funds	50 %
▪ Repurchase Agreements	100 %
▪ Municipal Securities	20 %
▪ Local Government Investment Pools	100 %
○ Participation per pool	10 % of pool
▪ Commercial paper	35 %
○ Limit per issuer	10%

As of September 30, 2009,

- holdings in one AAA-rated local government investment pool represented 88.45% of the total portfolio,
- holdings in a AAA-rated money market mutual fund represented 11.55% of the total portfolio.

Note 2 - Deposits and Investments (continued)

Interest Rate Risk:

In order to limit interest and market rate risk from changes in interest rates, the City of Galveston's adopted Investment Policy sets a maximum stated maturity date of two years in operating funds and five years in debt service reserve funds. The Policy establishes a maximum weighted average maturity of 15 months for operating funds and two years for reserve funds.

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

Exhibit A	Investment Maturities in Years
Investment Type	Less than 1 year
2A-7 like Local Government Pools	\$ 110,046,184
SEC Registered Money Market Fund	14,375,153
	<u>\$ 124,421,337</u>

As of September 30, 2009, the portfolio contained:

- no holding in the portfolio had a stated maturity date beyond 1 day, and
- the dollar weighted average of the total combined portfolios was 44 days.

Custodial Credit Risk:

To control custody and safekeeping risk State law and the City of Galveston's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of FIRREA³. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of September 30, 2009:

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

Note 3 - Property Tax

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

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

³ U.S. Financial Institutions Reform, Recovery and Enforcement Act of 1989

Note 3 - Property Tax (continued)

In conjunction with limits placed on taxes, the annual increase in total budgeted expenditures for all purposes was limited to 7% over the prior year's total budgeted expenditures.

Within these guidelines, the adopted tax rate per \$100 of assessed valuation, for the year ended September 30, 2009, was \$0.494. The tax rate to finance general governmental services was set at \$0.4431 and the tax rate for all other purposes, including debt service, was set at \$0.0509 per \$100 of assessed valuation.

Note 4 - Sales Tax

The City's sales tax rate is 2 cents for the year ended September 30, 2009. A City Charter amendment was passed by the voters on January 21, 1989, whereby the City is required to offset ad valorem taxes each year with the amount of additional (½ cent) sales tax collected in the prior year. The ½ cent offset was calculated using a calendar year formula provided by the State of Texas, resulting in ad valorem taxes offset by actual sales tax revenue of \$4.5 million in fiscal year 2009. The total maximum allowable tax rate of \$ 0.70 was thus limited to \$0.581682 for the current fiscal year. It is the City Attorney's opinion that this amendment does not create a new tax cap and it would not restrict the City's ability to meet bond obligations.

Of the 2 cents tax, 1 ½ cents is allocated to the General Fund and ½ cent is for Industrial Development Corporation (IDC) Projects. Effective through March 31, 2009, of the IDC ½ cent, 1/8 cent is for the purpose of beach re-nourishment, 1/8 cent is for streets and drainage improvement projects and 1/4 cent is for sanitary sewer projects.

On November 4, 2008, the voters extended the ½ cent offset for IDC projects for 20 years, to expire on April 1, 2029. Effective April 1, 2009, the purpose of the IDC ½ cent changed slightly to 1/8 cent used for the purpose of beach re-nourishment, 1/8 cent for streets, sewer and drainage improvement projects, 1/8 cent allocated to economic development, and 1/8 cent delegated to park improvements.

Note 5 - Receivables

Receivables, as of year-end, for the government's individual major and non-major funds and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

(shown in thousands)

	General	Island Transit	Hurricane Ike	Non-major Governmental Funds	Water	Sewer	Non-major Enterprise Funds	Internal Service Funds	Total
Receivables:									
Taxes	\$ 3,207	\$	\$	\$ 375	\$	\$	\$	\$	\$ 3,582
Accounts	3,070	167	771	1,011	3,356	4,030	3,354	352	16,109
Gross receivables	6,276	167	771	1,386	3,356	4,030	3,354	352	19,691
Less: allowance for uncollectibles	(2,818)			(119)	(727)	(832)	(624)		(5,120)
Net total receivables	<u>\$ 3,458</u>	<u>\$ 167</u>	<u>\$ 771</u>	<u>\$ 1,267</u>	<u>\$ 2,629</u>	<u>\$ 3,198</u>	<u>\$ 2,729</u>	<u>\$ 352</u>	<u>\$ 14,571</u>

Note 5 - Receivables (continued)

Galveston Housing Finance Corporation and City of Galveston Property Finance Authority, Inc.

Mortgage related assets consist of the Authority’s investment in mortgage loans secured by first liens on single family residential properties and loans, in the process of foreclosure or foreclosed, for which the Authority has title to the underlying property. Single family residences within the limits of the City of Galveston, Texas, collateralized these mortgages.

Note 6 - Interfund Activities

Interfund transfers for the primary government are as follows for the current year ended:

Transfer Out Fund	Transfer In Fund				Totals
	General Fund	Hurricane Ike Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
Non-major Governmental Funds	\$	\$	\$ 4,080,005	\$	\$ 4,080,005
Waterworks System	200,000	2,048			202,048
Sewer System	200,000	2,175			202,175
Non-major Enterprise Funds	200,000	6,510			206,510
Internal Service Funds		5,713		48,597	54,310
Totals	\$ 600,000	\$ 16,446	\$ 4,080,005	\$ 48,597	\$ 4,745,048

The following is a detail of the interfund transfers:

Transfer from	Transfer to	Purpose
Industrial Development Corporation	Debt Service Drainage and Street Improvement Sewer Improvements IDC Capital Projects	Provided by election for the capital improvements and related debt service from sales tax revenue
Waterworks System	General Fund	To transfer payments in lieu of taxes
Waterworks System	Hurricane Ike	Local match for public assistance
Sewer	General Fund	To transfer payments in lieu of taxes
Sewer	Hurricane Ike	Local match for public assistance
Sanitation Services	General Fund	To transfer payments in lieu of taxes
Sanitation Services	Hurricane Ike	Local match for public assistance
Drainage	Hurricane Ike	Local match for public assistance
Airport	Hurricane Ike	Local match for public assistance
Central Garage	Hurricane Ike	Local match for public assistance
Central Garage	Sanitation Services	To transfer repaired assets to proper fund
Central Garage	Drainage	To transfer repaired assets to proper fund

Note 6 - Interfund Activities (continued)

The following is a detail of inter-fund receivables / payables for the City of Galveston at year-end:

Payable Funds: Due From	Receivable Funds: Due To						Total
	General Fund	Non-Major Governmental Funds	Waterworks Fund	Sewer Fund	Non-Major Enterprise Funds	Internal Service Funds	
Governmental Funds:							
General Fund	\$	\$ 1,656	\$	\$	\$	\$	\$ 1,656
Island Transit Fund	779,265						779,265
Hurricane Ike Fund			353,565	1,057,907	2,097,698	184,495	3,693,665
IDC Sales Tax Revenue Fund		751,936					751,936
2008 Buffer Zone Protection	8,665						8,665
CDBG Disaster Fund Housing	41						41
2007 SHSP Grant	2,855						2,855
Island Transit Capital Projects	145,718						145,718
	<u>\$ 936,544</u>	<u>\$ 753,592</u>	<u>\$ 353,565</u>	<u>\$ 1,057,907</u>	<u>\$ 2,097,698</u>	<u>\$ 184,495</u>	<u>\$ 5,383,801</u>

The Island Transit Fund inter-fund receivable/payable shown above represents the historic variance of funding that the General Fund has had to supplement to Island Transit due to various timing differences of grant reimbursements that Island Transit receives.

It is usually eleven months into a new fiscal year before Island Transit is able to draw its current year operating expenditure grant reimbursement due to the delay in approval at the federal level. Once the grant is approved only 50% of the operating expenditures, excluding preventative maintenance, capital improvements, and electric bus expenditures are reimbursed by the Federal Transit Authority. A small portion is reimbursed by the State of Texas and the remaining funds are funded by the general fund.

Nonmajor Governmental Funds

The IDC Sales Tax Revenue Fund inter-fund receivable/payable shown above represents sales tax revenue for August and September that will be received in FY 2010. These revenues are to be allocated to the IDC Capital Projects Fund for capital improvement projects to streets, sewer or drainage, economic development, beach re-nourishment and park improvements.

The 2008 Buffer Zone Protection Fund, CDBG Disaster Housing Fund and the 2007 SHSP Grant Fund inter-fund receivable/payable shown above represents funding from the General Fund due to timing differences between expenditures and grant reimbursements.

The Island Transit Capital Projects Fund inter-fund receivable/payable shown above represents funding from the General Fund due to timing differences between expenditures and grant reimbursements.

Note 7 - Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,715,803	\$	\$	\$ 2,715,803
Construction in progress	8,610,456	1,231,831	(8,069,386)	1,772,901
Total capital assets, not being depreciated	<u>11,326,259</u>	<u>1,231,831</u>	<u>(8,069,386)</u>	<u>4,488,704</u>
Capital assets, being depreciated:				
Buildings	39,339,026	5,793,856	(170,813)	44,962,069
Improvements other than buildings	4,968,153	186,521		5,154,674
Machinery and equipment	7,831,071	2,022,419	(461,881)	9,391,609
Licensed vehicles	9,473,066	2,186,218	(372,296)	11,286,988
Infrastructure	105,202,256	6,240,028	(1,250,183)	110,192,101
Total capital assets being depreciated	<u>166,813,572</u>	<u>16,429,042</u>	<u>(2,255,173)</u>	<u>180,987,441</u>
Less accumulated depreciation for:				
Buildings	(6,019,962)	(989,240)	76,702	(6,932,500)
Improvements other than buildings	(3,343,537)	(213,456)		(3,556,993)
Machinery and equipment	(5,979,547)	(1,099,964)	263,581	(6,815,930)
Licensed vehicles	(5,207,246)	(888,705)	366,949	(5,729,002)
Infrastructure	(52,195,204)	(2,792,311)	18,233	(54,969,282)
Total accumulated depreciation	<u>(72,745,496)</u>	<u>(5,983,676)</u>	<u>725,465</u>	<u>(78,003,707)</u>
Total capital assets, being depreciated, net	<u>94,068,076</u>	<u>10,445,366</u>	<u>(1,529,708)</u>	<u>102,983,734</u>
Governmental activities capital assets, net	<u>\$ 105,394,335</u>	<u>\$ 11,677,197</u>	<u>\$ (9,599,094)</u>	<u>\$ 107,472,438</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,448,963	\$	\$	\$ 2,448,963
Construction in progress	12,777,412	14,319,484	(5,125,967)	21,970,929
Total capital assets, not being depreciated	<u>15,226,375</u>	<u>14,319,484</u>	<u>(5,125,967)</u>	<u>24,419,892</u>
Capital assets, being depreciated:				
Buildings and system	45,065,031	173,969		45,239,000
Improvements other than buildings	98,978,662	5,312,231		104,290,893
Machinery and equipment	15,586,342	1,415,606	(712,435)	16,289,513
Contractual water rights	20,731,138	6,970,000		27,701,138
Total capital assets, being depreciated	<u>180,361,173</u>	<u>13,871,806</u>	<u>(712,435)</u>	<u>193,520,544</u>
Less accumulated depreciation for:				
Buildings and system	(14,503,996)	(1,139,357)		(15,643,353)
Improvements other than buildings	(36,768,101)	(2,897,794)		(39,665,895)
Machinery and equipment	(10,267,490)	(1,030,732)	682,944	(10,615,278)
Contractual water rights	(5,363,249)	(1,388,123)		(6,751,372)
Total accumulated depreciation	<u>(66,902,836)</u>	<u>(6,456,006)</u>	<u>682,944</u>	<u>(72,675,898)</u>
Total capital assets, being depreciated, net	<u>113,458,337</u>	<u>7,415,800</u>	<u>(29,491)</u>	<u>120,844,646</u>
Business-type activities capital assets, net	<u>\$ 128,684,712</u>	<u>\$ 21,735,284</u>	<u>\$ (5,155,458)</u>	<u>\$ 145,264,538</u>

Note 7 - Capital Assets (continued)

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

Governmental activities:

General government	\$ 34,818
Public safety	829,063
Public works	2,029,302
Culture and recreation	2,063,084
Planning and community development	144,732
Transportation system	695,588
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	187,089
Total depreciation expense - governmental activities	<u><u>\$ 5,983,676</u></u>

Business-type activities:

Waterworks	\$ 3,060,510
Sewer system	2,538,589
Sanitation	276,592
Drainage	126,257
Airport	454,058
Total depreciation expense - business-type activities	<u><u>\$ 6,456,006</u></u>

Construction in progress and remaining commitment, at year-end, were as follows:

Governmental Activities

<u>Construction in Progress</u>	<u>Project Authorization</u>	<u>Project Cost to date</u>	<u>Remaining Commitment</u>
Island Transit downtown terminal (Goodman)	\$ 591,000	\$ 538,713	\$ 52,287
Seawall Beautification	112,000	112,000	
Island Transit maintenance facility - design	636,500	490,899	145,601
Band Shell Renovation	14,680	14,680	
Puesta del Sol Roadway Improvements	100,000	100,000	
Palm Beach Infrastructure Improvements-Streets	247,000	199,185	47,815
Cloud Lane 91st thru 103rd	25,729	15,594	10,135
19th Street Paving & Drainage Project	294,955		294,955
21st & 23rd Street Paving	449,621	1,155	448,466
Broadway Traffic Signals Interconnect	54,000	23,760	30,240
Traffic Signal Unwarranting Study (5 Broadway Inter)	43,400	35,428	7,972
Fire Station	3,500,000	241,487	3,258,513
	<u><u>\$ 6,068,885</u></u>	<u><u>\$ 1,772,901</u></u>	<u><u>\$ 4,295,984</u></u>

Note 7 - Capital Assets (continued)

Business-Type Activities

Construction in Progress	Project Authorization	Project Cost to date	Remaining Commitment
<i>Waterworks System Fund Projects</i>			
GCWA Water Lines at Jamaica Beach, Pelican Island, etc (2002 Bond)	\$ 1,752,467	\$ 1,279,467	\$ 473,000
30th Street Pump Station	16,199,177	11,896,479	4,302,698
12 Inch Waterline along Teichman Road	859,328	845,590	13,738
Various other	1,578,082	1,161,226	416,856
<i>Sewer System Fund Projects</i>			
Palm Beach Infrastructure Improvement	1,918,916	1,604,172	314,744
Design of Near West End Unserved Areas	700,410	649,598	50,812
Design of Far West End Unserved Areas	611,380	578,637	32,743
City-Wide Sanitation Sewer Lift Station Phase 1	838,130	563,411	274,719
Various sewer projects	1,923,871	1,731,465	192,406
<i>Drainage Fund Projects</i>			
Various drainage projects	1,714,198	1,488,367	225,831
<i>Airport Fund Projects</i>			
	440,985	172,517	268,468
Totals	\$ 28,536,944	\$ 21,970,929	\$ 6,566,015

Note 8 - Long-Term Debt

Governmental activities long-term liability activity for the current year ended was as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Primary Government					
General Obligation Bonds	\$ 19,694,263	\$	\$ (279,161)	\$ 19,415,102	\$ 1,058,993
Accretion on Capital Interest Bonds	2,272,280		(724,617)	1,547,663	
Special Obligation Bonds	35,535,000		(1,525,000)	34,010,000	1,175,000
Certificates of Obligation	22,904,772		(132,300)	22,752,396	
Capital Leases	542,021		(222,801)	319,220	156,289
Notes Payable	1,462,459	22,500,000	(78,910)	23,883,549	82,217
Accrued Compensated Absences	8,232,278	583,755	(512,512)	8,303,521	433,081
Claims Payable-Unemployment Tax	24,000	64,910	(88,910)		
Claims Payable - Workers Comp.	524,695	1,625,199	(697,182)	1,452,712	
Claims Payable-Health Insurance	531,678	4,490,320	(4,471,656)	550,342	
Deferred Bond Issuance Discount/Premium	259,743		(32,468)	227,275	
Other Post Employment Benefit Liability		570,703	(270,591)	300,112	
Net Pension Obligation	1,215,857	2,135,762	(2,748,962)	602,657	
Total primary Government	93,199,046	31,970,649	(11,785,070)	113,364,549	2,905,580
Discretely presented component units					
Special Revenue Bonds	1,470,000		(630,000)	840,000	90,000
Capital Leases	205,736	738,344	(383,272)	560,808	291,894
Notes Payable	8,234,054	2,290,726	(632,800)	9,891,980	743,512
Accrued Compensated Absences	147,392	3,730	(2,405)	148,717	
Payable to Concessionaire	130,000			130,000	130,000
Total discretely presented component units	10,187,182	3,032,800	(1,648,477)	11,571,505	1,255,406
Total reporting entity	\$ 103,386,228	\$ 35,003,449	\$(13,433,547)	\$ 124,936,054	\$ 4,160,986

Note 8 - Long-Term Debt (continued)

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

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

Governmental Activities

Primary Government:

General Obligation Bonds

	<u>Total</u>
\$13,275,102 - 2001 Obligation and Refunding Bonds due in annual installments of \$568,993 to \$710,000 May 1, 2010 through May 1, 2023; interest at 4.8% to 5.25%. Includes interest accretion of \$1,547,663.	\$ 12,322,765
\$9,462,818 - 2005 Obligation and Refunding Bonds due in annual installments of \$390,000 to \$1,235,000 May 1, 2006 through May 1, 2023; interest at 4.15% to 4.465%.	<u>8,640,000</u>
Total General Obligation Bonds	<u><u>\$ 20,962,765</u></u>

Special Obligation Bonds

\$7,455,000 - 2001B Industrial Development Corporation Refunding Bonds due in annual installments of \$60,000 to \$865,000 through September 1, 2015; interest at 4.0% to 5.0% (this debt is being serviced, principal and interest, by Industrial Development Corporation).	\$ 4,645,000
\$16,150,000 - 2002A Hotel Occupancy Tax Bonds due in annual installments of \$120,000 to \$1,165,000 through September 1, 2034; interest at 3.0% to 5.0%.	15,020,000
\$15,700,000 - 2002B Hotel Occupancy Tax Bonds due in annual installments of \$150,000 to \$1,165,000 through September 1, 2032; interest at 3.0% to 5.0%.	<u>14,345,000</u>
Total Special Obligation Bonds	<u><u>\$ 34,010,000</u></u>

Certificates Of Obligation Bonds

\$19,323,672 - 2004 Wharves and Terminal Revenue Bonds due in annual installments of \$2,425,000 to \$1,390,621 through February 1, 2020, interest at 4.25% to 5.18%.	\$ 19,323,672
\$3,581,100 - 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$81,900 to \$237,600 through May 2033, interest at 4.5% to 5.18%.	<u>3,428,724</u>
Total Certificates of Obligation	<u><u>\$ 22,752,396</u></u>

Capital Leases

\$767,043 - 2007 Capital Lease Purchase due in semi-annual installment of \$169,856 through June 2011; interest at 3.604%.	<u>\$ 319,221</u>
Total Capital Leases	<u><u>\$ 319,221</u></u>

Note 8 - Long-Term Debt (continued)

Notes Payable

\$1,531,488- 2007 note payable incurred due in semi-annual installment of \$69,380 through July 2022; interest 3.80%. \$ 1,383,549

\$20,000,000 - line of credit 1/3 each to Moody Bank, Frost Bank and Amegy Bank; due in semi-annual installments; matures January 2019; variable interest rate based on 90-day LIBOR plus 60 bps. 20,000,000

\$2,500,000 - note payable to Federal Emergency Management Agency; balance due in 2014, with an additional five year extension available; interest rate of 1.75%. 2,500,000

Total Notes Payable \$ 23,883,549

Discretely Presented Component Units:

Special Obligation Bonds

Galveston Island Redevelopment Authority - \$1,000,000 tax exempt bank loan with Frost National Bank, secured by Tax Increment from TIRZ; principal due in annual installments; interest due in semi-annual installments; variable interest rate of 65% 30-day LIBOR plus 128. \$ 840,000

Total Special Obligation Bonds \$ 840,000

Notes payable

Park Board of Trustees - \$500,000 line of credit with Moody National Bank, secured by CD, interest due monthly at 3.5%, principal due on demand or on September 30, 2010. \$ 288,579

Park Board of Trustees - \$800,000 construction loan with Moody National Bank, secured by real estate; principal and interest due monthly at \$6,178; remaining principal due on at maturity date of February 2013. 782,675

Park Board of Trustees - \$2,290,726 loan with the Federal Emergency Management Agency, interest due monthly at 1.75% until February 2014; remaining principal due at maturity date of February 18, 2014. 2,290,726

Galveston Island Redevelopment Authority - \$7,000,000 Tax Increment Note, Series 2007A, secured by the available TIRZ 14 Tax Increment; principal and interest due in annual installments; interest rate 4.65%; matures October 1, 2022. 6,530,000

Total Notes Payable \$ 9,891,980

Capital Leases

Park Board of Trustees - \$560,808 capital lease purchase due in annual installments of through September 30, 2011. \$ 560,808

Note 8 - Long-Term Debt (continued)

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

Primary Government

Fiscal Year ending September 30,	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 1,058,993	\$ 1,029,565	\$ 1,175,000	\$ 1,650,329
2011	1,032,612	1,053,796	1,240,000	1,614,129
2012	1,006,391	1,083,217	1,305,000	1,559,091
2013	988,350	1,098,632	1,380,000	1,506,069
2014	976,829	1,111,966	1,465,000	1,443,019
2015	966,927	1,122,931	1,550,000	1,375,413
2016	1,460,000	630,433	740,000	1,303,050
2017	1,525,000	564,518	795,000	1,270,675
2018	1,590,000	495,330	860,000	1,226,950
2019	1,675,000	417,740	930,000	1,179,650
2020	1,750,000	335,680	1,005,000	1,128,500
2021	1,575,000	249,510	1,085,000	1,078,250
2022	1,865,000	170,948	1,160,000	1,024,000
2023	1,945,000	87,909	1,245,000	966,000
2024			1,335,000	903,750
2025			1,425,000	837,000
2026			1,525,000	765,750
2027			1,630,000	689,500
2028			1,735,000	608,000
2029			1,850,000	521,250
2030			1,975,000	425,750
2031			2,105,000	330,000
2032			2,220,000	224,750
2033			1,110,000	113,750
2034			1,165,000	58,250
Total	\$ 19,415,102	\$ 9,452,175	\$ 34,010,000	\$ 23,802,875

Note 8 - Long-Term Debt (continued)

Certificates Of Obligation	
Principal	Interest
\$ 81,900	\$ 950,958
85,500	947,273
89,100	943,425
2,518,600	878,791
2,637,200	761,567
2,761,700	638,548
2,901,200	497,851
3,050,700	349,962
3,205,200	203,557
1,602,751	1,807,410
1,516,621	1,893,855
131,400	118,806
137,700	112,893
144,000	106,525
151,200	99,325
158,400	91,765
166,500	83,845
174,600	75,312
183,600	66,363
193,500	56,954
203,400	46,698
214,200	35,918
225,900	24,566
237,600	12,591
\$ 22,772,472	\$ 10,804,758

Note 8 - Long-Term Debt (continued)

Fiscal Year Ending September 30,	Discretely Presented Component Units	
	Galveston Island Redevelopment Authority	
	Principal	Interest
2010	\$ 525,000	\$ 341,841
2011	550,000	317,291
2012	575,000	291,532
2013	600,000	264,454
2014	630,000	236,280
2015	665,000	206,584
2016	500,000	175,381
2017	520,000	151,811
2018	415,000	130,433
2019	435,000	111,135
2020	455,000	90,908
2021	475,000	69,750
2022	500,000	47,663
2023	525,000	24,413
Total	\$ 7,370,000	\$ 2,459,476

The future minimum lease obligations and the net present value of minimum lease payments on Government-type activity capital leases, as of year-end, were as follows:

Fiscal year ending September 30	Governmental Activities
2010	\$ 169,856
2011	169,857
Total minimum payments	339,713
Less: Interest	(20,492)
Present value of minimum lease payments	319,221
Current portion	156,289
Long term portion	\$ 162,932

Note 8 - Long-Term Debt (continued)

Business-type activities long-term liability activity for the current year ended was as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Primary Government					
Contracts (Gulf Coast Water Authority)	\$ 37,684,007	\$ 6,970,000	\$ (2,354,262)	\$ 42,299,745	\$ 2,709,675
Revenue Bonds-Water Fund	18,897,096		(587,986)	18,309,110	751,716
Revenue Bonds-Sewer Fund	26,522,904		(1,162,014)	25,360,890	1,153,284
Certificates of Obligation	16,848,900		(702,700)	16,146,200	478,100
Notes Payable	8,144,568	2,500,000	(960,946)	9,683,622	990,100
Capital Lease	1,277,734	1,240,181	(1,596,877)	921,038	272,018
Accrued Compensated Absences	906,253	164,662	(42,794)	1,028,121	65,258
Deferred Bond Issuance Discount/Premium	(650,472)		27,963	(622,509)	
Total primary Government	109,630,990	10,874,843	(7,379,616)	113,126,217	6,420,151
Discretely presented component units					
Special Obligation Bonds	8,500,000			8,500,000	
Revenue Bonds	11,360,000	28,165,000	(2,610,000)	36,915,000	3,340,000
Notes payable	9,306,941		(791,868)	8,515,073	1,000,000
Capital Lease	1,614,446		(115,674)	1,498,772	122,492
Accrued Compensated Absences	601,596	374,872	(242,523)	733,945	220,184
Deferred Bond Issuance Discount	414,718		(68,638)	346,080	
Total discretely presented component units	31,797,701	28,539,872	(3,828,703)	56,508,870	4,682,676
Total reporting entity	\$ 141,428,691	\$ 39,414,715	\$ (11,208,319)	\$ 169,635,087	\$ 11,102,827

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

Business Type Activities

Primary Government

Contracts (Gulf Coast Water Authority)

\$11,000,000 - Gulf Coast Water Authority Contract Revenue Bonds, Series 1997, due in annual installments of \$630,000 to \$925,000 through August 15, 2017; interest at 4.1% to 5.1%.	\$ 6,280,000
\$24,640,000 - Gulf Coast Water Authority Contract Revenue Bonds, Series 1998A, due in annual installments of \$779,675 to \$2,561,083 through August 15, 2022; interest at 4.15% to 5%. (Liability represents the City's 98.693% share of the remaining balance).	20,029,745
\$11,315,000 - Gulf Coast Water Authority Contract Revenue Bonds, Series 2002, due in annual installments of \$515,000 to \$910,000 through August 15, 2013; interest at 4.0% to 4.5%.	9,020,000
\$6,970,000 - Gulf Coast Water Authority Chocolate Bayou Contract Note Payable, Series 2006, due in annual installments of \$755,000 to \$1,000,000 through August 15, 2017; variable interest rate	<u>6,970,000</u>
Total Contracts Payable - Enterprise Funds	<u>\$ 42,299,745</u>

Note 8 - Long-Term Debt (continued)

Revenue Bonds

\$11,000,000 - 2003 Waterworks and Sewer System Revenue Bonds due in annual installments of \$460,000 to \$795,000 through May 1, 2023; interest at 3.5% to 4.38%. \$ 8,475,000

\$38,310,000 - 2006 Waterworks and Sewer System Revenue and Refunding Bonds due in annual installments of \$1,325,000 to \$1,950,000 through May 1, 2030; interest at 3.2% to 4.5%. 35,195,000

Total Revenue Bonds, Face Value \$ 43,670,000

Certificates of Obligation

\$1,000,000 - 2003 Sanitation Certificates of Obligation due in annual installments of \$105,000 to \$115,000 through May 1, 2013; interest at 2.85% to 3.75%. \$ 435,000

\$16,313,900 - 2008 Combination Tax and Revenue Certificates of Obligation bonds due in annual installments of \$373,100 to \$1,082,400 through May 1, 2033; interest at 4.5% to 5.30%. 15,711,200

Total Certificates of Obligation, Face Value \$ 16,146,200

Notes Payable

\$9,962,462 - Line of Credit extended to Waterworks and Sewer Funds due in annual installments for 10 years, interest at 3%, due in quarterly installments of \$298,635 through May, 2016. \$ 7,183,622

\$2,500,000 - note payable to Federal Emergency Management Agency; balance due in 2014, with an additional five year extension available; interest rate of 1.75%. 2,500,000

Total Notes Payable \$ 9,683,622

Capital Leases

\$738,515 - 1990 capital lease purchase due in monthly installments of \$5,886 through February 1, 2010; interest at 7.15 %; net carrying value of equipment purchased \$168,803 as of year end. \$ 28,910

\$1,240,182 - capital lease purchase due in semi-annual installments of \$137,236 through December 15, 2012; interest at 3.77%; net carrying value of equipment purchased \$1,097,078 as of year end. 892,128

Total Capital Leases - Enterprise Funds, Net \$ 921,038

Discretely Presented Component Units:

Special Obligation bonds

\$8,500,000 - City of Galveston, Texas Wharves and Terminal Special Contract Revenue Refunding Bonds, Series 1998 due in annual installments; interest at 5.50%. \$ 8,500,000

Note 8 - Long-Term Debt (continued)

Revenue Bonds

City of Galveston Property Finance Authority, Inc. - Revenue Bonds

\$13,700 - Single Family Mortgage Revenue Bonds, Series 1991A due in annual installments of \$100,000 to \$355,000; interest at 8.5%. \$ 180,000

Board of Trustees of the Galveston Wharves

\$5,235,000 - City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds, Series 1998A due in annual installments; interest at 3.20% to 4.30%. 4,895,000

\$4,895,000 - City of Galveston, Texas Wharves and Terminal Revenue Bonds, Series 1999 due in annual installments; interest at 4.35% to 5.50%. 1,975,000

\$8,005,000 - City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds Series 2004A&B, due in annual installments, interest at 3.02%. 2,185,000

\$28,165,000 - City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds Series 2008, due in annual installments, variable interest rate. 27,680,000

Total Revenue Bonds

\$ 36,915,000

Notes Payable

Carnival Cruise Lines, payable from passenger service charges on future lender cruises; interest at 4.5% \$ 8,515,073

Capital Leases

\$1,700,000 - 2006 capital lease purchase due in 83 monthly installments of \$17,111, with a final payment of \$904,966 due on December 31, 2013; adjustable interest rate initially at 5.74% \$ 1,498,772

Note 8 - Long-Term Debt (continued)

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

Primary Government

Fiscal Year Ending 9/30	Revenue Bonds		Contracts	
	Principal	Interest	Principal	Interest
2010	\$ 1,905,000	\$ 1,778,892	\$ 2,709,675	\$ 1,991,892
2011	1,965,000	1,710,573	2,839,152	1,865,936
2012	2,035,000	1,639,683	2,968,629	1,735,185
2013	2,105,000	1,565,983	3,103,106	1,597,947
2014	2,185,000	1,490,320	3,247,518	1,452,813
2015	2,265,000	1,409,185	3,401,865	1,300,883
2016	2,360,000	1,323,670	3,561,211	1,140,818
2017	2,450,000	1,233,100	4,692,749	959,800
2018	2,550,000	1,135,100	2,857,096	755,864
2019	2,660,000	1,031,180	2,995,723	613,030
2020	2,765,000	923,955	3,149,220	463,206
2021	2,045,000	811,975	3,302,717	305,781
2022	2,135,000	725,063	3,471,084	139,545
2023	2,235,000	632,600		
2024	1,500,000	536,619		
2025	1,565,000	470,994		
2026	1,635,000	402,525		
2027	1,710,000	328,950		
2028	1,785,000	252,000		
2029	1,865,000	171,675		
2030	1,950,000	87,750		
Total	\$ 43,670,000	\$ 19,661,792	\$ 42,299,745	\$ 14,322,700

Note 8 - Long-Term Debt (continued)

Fiscal Year Ending 9/30	Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest
2010	\$ 478,100	\$ 783,492	\$ 990,100	\$ 248,190
2011	494,500	763,421	1,020,139	218,151
2012	515,900	742,349	1,051,089	187,320
2013	541,400	720,345	1,082,981	155,312
2014	442,800	697,132	3,615,835	122,455
2015	463,300	678,312	1,149,688	44,850
2016	483,800	658,622	773,790	10,806
2017	504,300	638,060		
2018	524,800	616,628		
2019	545,300	594,324		
2020	574,000	567,058		
2021	598,600	541,228		
2022	627,300	514,292		
2023	656,000	485,280		
2024	688,800	452,480		
2025	721,600	418,040		
2026	758,500	381,960		
2027	795,400	343,086		
2028	836,400	302,322		
2029	881,500	259,456		
2030	926,600	212,736		
2031	975,800	163,626		
2032	1,029,100	111,910		
2033	1,082,400	57,368		
Total	\$ 16,146,200	\$ 11,703,527	\$ 9,683,622	\$ 987,084

Note 8 - Long-Term Debt (continued)

Discretely presented component units

Year Ending December 31,	Special obligation bonds		Revenue bonds	
	Principal	Interest	Principal	Interest
2009	\$	\$ 467,500	\$ 2,695,000	\$ 1,360,163
2010		467,500	2,735,000	1,219,161
2011		467,500	2,815,000	1,099,100
2012		467,500	2,945,000	973,382
2013		467,500	1,385,000	900,375
2014		467,500	1,465,000	851,900
2015	8,500,000	233,750	1,545,000	800,625
2016			1,640,000	746,550
2017			1,730,000	689,150
2018			1,830,000	628,600
2019			1,935,000	564,550
2020			2,050,000	496,825
2021			2,165,000	425,075
2022			2,290,000	349,300
2023			2,420,000	269,150
2024			2,565,000	184,450
2025			2,705,000	94,675
Total	\$ 8,500,000	\$ 3,038,750	\$ 36,915,000	\$ 11,653,031

The future minimum lease obligations and the net present value of minimum lease payments on Business-type activity capital leases, as of year-end, were as follows:

Fiscal year ending September 30	Business-type activities		Total
	Municipal Airport	Sanitation Fund	
2010	\$ 29,429	\$ 274,472	\$ 303,901
2011		274,472	274,472
2012		274,471	274,471
2013		137,236	137,236
Total minimum payments	29,429	960,651	990,080
Less: Interest	(519)	(68,523)	(69,042)
Present value of minimum lease payments	28,910	892,128	921,038
Current portion	28,910	243,108	272,018
Long term portion	\$	\$ 649,020	\$ 649,020

Note 8 - Long-Term Debt (continued)

The Galveston Wharves has commitments with entities to lease land for parking lots. Future minimum rental commitments for equipment operating leases as of December 31, 2008 are as follows:

Year Ended December 31,	Minimum Payments
2009	\$ 405,000
2010	405,000
2011	405,000
2012	405,000
2013	118,125
	<u>\$ 1,738,125</u>

Long-term Contracts - Waterworks System

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

On April 15, 2002, the City entered into a contract with GCWA whereby GCWA issued \$11,315,000 of *Gulf Coast Water Authority Contract Revenue Bonds, Series 2002* to be used to build and improve facilities for potable water transportation to and within the City. The bonds will be repaid with pledged revenues from the City’s Waterworks Fund.

On May 1, 1998, the City signed a new contract with GCWA that would allow Galveston to begin receiving treated water from the Texas City plant upon completion of its expansion, which took place in August 2001. Terms of the contract included issuance of \$24,640,000 in *Gulf Coast Water Authority Contract Revenue Bonds*. The City will also continue to pay a prorated share of interest and principal on series *1981A and Series 1991 Mainland Project Bonds* used to finance earlier improvements at the Texas City plant.

On July 15, 1997, the City entered into a contract with GCWA whereby GCWA issued \$11,000,000 of *Gulf Coast Water Authority Contract Revenue Bonds, Series 1997* to be used on Galveston’s behalf to build a new two mile pipeline to transport water across Galveston Bay to the City, to repair an 80 year old pipeline already being used for that purpose, and to build a pipeline between Galveston Island and Pelican Island or to do certain improvements in other waterlines on the Island. The bonds will be repaid with pledged revenues from the City’s Waterworks Fund.

The City has three prior agreements with GCWA that pledge the City’s waterworks revenues for payment of long-term bonds. All payments to GCWA under these contracts are designated maintenance and operating expense.

Note 8 - Long-Term Debt (continued)

On July 10, 1987, GCWA issued bonds in the amount of \$25.8 million to design and construct the Ellington Plant, which was completed and placed in operation September 1990. The City's percentage share of the total debt is 76.08% with League City's share being the remainder 23.92%. Until July 10, 2012, the City's annual debt service payment, which includes interest, is approximately \$1.7 million. The interest rate on the bonds varies from 5.95% to 7.0%. By amendment to the 1971 contract, on July 10, 1987, the City received from GCWA an ownership interest in the water production facilities.

On April 30, 1976, the City and GCWA entered into a contract whereby GCWA issued \$46,610,000 in Water Contract Revenue Bonds to finance major improvements to the City's Waterworks System.

On January 15, 1971, the City entered into a surface water contract. The City pays GCWA its proportionate share (89.87%) of the debt service on the bonds financing the construction of the Southeast Water Purification facilities, and operating expenses incurred in maintenance of the plant and providing water to the City.

Refunding of Debt

In December 2005, the City issued \$9,462,818.40 in General Obligation and Refunding Bonds (series 2005) with an interest rate ranging from 4.15% to 4.465%. The proceeds will be used for the purpose of street, park and transit improvements, to refund a portion of the City's General Obligation and Refunding Bonds, Series 2001 in order to lower the overall debt service requirements of the City and to pay the costs associated with the issuance of Bonds. A portion of the proceeds (\$2,669,246) was deposited into an escrow fund and used to purchase U.S. government securities. These securities and cash were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the 2001 series bonds. As a result the refunded portion of the 2001 series bonds are considered to be defeased.

In February 2006, the City issued \$38,310,000 in Revenue and Refunding Bonds (series 2006) with an interest rate ranging from 3.2% to 4.5%. The proceeds will be used for the purpose of certain water and sanitary sewer improvements, to refund a portion of Waterworks and Sewer System Revenue Bonds, Series 2000 and to pay the costs associated with the issuance of Bonds. A portion of the proceeds (\$7,242,349) was deposited into an escrow fund and used to purchase U.S. government securities. These securities and cash were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the 2000 series bonds. As a result the refunded portion of the 2000 series bonds are considered to be defeased.

In prior years, the City defeased certain public improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

Note 8 - Long-Term Debt (continued)

At year-end, the following previously refunded bonds are considered defeased:

Issue	Refunded Principal Outstanding 9/30/2008	Retirements	Refunded Principal Outstanding 9/30/2009
Series 1994	\$ 425,000	\$ (425,000)	\$
Series 1990	43,619	(43,619)	
Series 2001	2,500,000		2,500,000
Series 1995	5,205,000	(625,000)	4,580,000
Series 2000	6,900,000		6,900,000
	\$ 15,073,619	\$ (1,093,619)	\$ 13,980,000

Note 9 - Fund Equity

Deficit Fund Balance

The following funds had deficit fund balances as of year-end.

	Deficit Balance
Non-major Governmental Funds:	
Special Revenue Funds:	
Grants and Government Contracts	\$ (32,382)
Mary Moody Northern	(12,689)
Capital Project Funds:	
Island Transit Capital Projects	(56,069)
Internal Service Funds:	
Workers Compensation Insurance	(687,790)
Health & Life Insurance	(797,775)

Note 10 - Contingent Liabilities

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.

Note 10 - Contingent Liabilities (continued)

Litigation:

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

Environmental Liability:

The City is aware of various sites contaminated by hazardous materials. The City purchased land in April 1995, which contained property that had been a City landfill at one time and other land adjacent to it that has been determined by the U.S. Environmental Protection Agency to be contaminated. The City is presently negotiating with the Texas Commission on Environmental Quality to determine the potential cost of cleaning up this property. Ultimately, the cost will depend on the use made of the property and estimates of liability for clean up could range from \$100,000 to several million dollars. The City is negotiating to use the land for a parking lot, in which case the liability should be approximately \$100,000. No amounts have been accrued for this potential liability as of year-end.

The City is under a U.S. Environmental Protection Agency mandate to repair or replace all substandard wastewater system lines. The City has implemented a sanitary sewer over-flow management program to achieve the goals of the mandate.

The City also participates in the Texas Natural Resources Underground Storage Tank registration program and has each site insured for pollution liability.

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has commercial insurance policies for liability and property insurance. The major insurance policies have deductibles of \$5,000 per occurrence except for Law Enforcement and Public Officials policies, which have deductibles per occurrence of \$10,000 and \$10,000, respectively.

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

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

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

Note 11 - Risk Management (continued)

Workers Compensation

The City is self-insured for workers compensation. A commercial policy issued by Midwest Employees Casualty Insurance Company pays for excess claims over \$500,000 per individual and \$3,400,000 aggregate retention.

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 year-end, and is based on requirements of Governmental Accounting Standards Board, Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The City's long-term worker's compensation liability is recorded in the Government wide statement of net assets. 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:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Current Year Payments	End of Year Accrual
2008	\$ 524,695	\$ 423,056	\$ (423,056)	\$ 524,695
2009	524,695	1,625,199	(697,182)	1,452,712

Employee Health Insurance

Effective November 1, 2001, the City established a limited Risk Management Program for Health Insurance by setting up an Internal Service Fund to account for its insured and self-insured risk of loss. The Internal Service Insurance Fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the employees and the employees are required to make contributions to cover their dependents. The Internal Service Fund charges the various funds premiums for the City's contribution. The City has obtained excess loss insurance that limits the City's claims paid to \$125,000 for individual and \$3,400,000 in aggregate claims on an annual basis from Majestic Insurance Co.

Incurred but not reported claims as of year-end are estimated by the third party administrator based on prior claims experience. Changes in the City's health claims liability amount (incurred but not reported claims), 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
2008	\$ 413,201	\$ 3,720,635	\$ (3,602,158)	\$ 531,678
2009	531,678	4,490,320	(4,471,656)	550,342

Note 12 - Major Contracts and Commitments

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

Emergency Medical Services Contract:

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

Discretely Presented Component Units:

Governmental Activities

Park Board of Trustees

Notes Payable

Park Board has a \$540,000 line of credit with Moody National Bank, secured by a Certificate of Deposit, to finance capital improvements and automobile purchases. The interest rate is 3.5%, due monthly. Upon renewal at September 30, 2009, the interest rate was increased to 4.25%. Principle is due on demand or September 30, 2010. The balance of the line of credit at September 30, 2009, of \$288,579 was paid in October 2009.

In addition, the Park Board entered into an \$800,000 construction loan agreement with Moody National Bank to build a new maintenance facility. The loan is secured by real estate. Accrued interest only is due from March 2008 until February 2009, and then monthly principal and interest payments of \$6,178 will be due until maturity on February 2013, when all remaining principal will be due and payable. The balance of the construction loan at September 30, 2009, is \$782,675 .

<u>Fiscal Year Ending 9/30</u>	Park Board of Trustees		
	Notes Payable		
	Principal	Interest	Total
2010	\$ 19,933	\$ 54,208	\$ 74,141
2011	21,363	52,778	74,141
2012	22,896	51,245	74,141
2013	718,483	20,874	739,357
Totals	\$ 782,675	\$ 179,105	\$ 961,780

Note 12 - Major Contracts and Commitments (continued)

Park Board entered into a \$1,400,000 construction loan agreement with Moody National Bank to make building improvements for new headquarter offices. The loan is secured by real estate. Accrued interest only is due from July 2009 until June 2010, and then monthly principle and interest payments of \$11,199 will be due until maturity on July 2011, when all remaining principle will be due and payable. No funds have been drawn on the construction loan as of September 30, 2009.

Federal Emergency Management Agency Loan

Park Board entered into a \$2,290,726 loan agreement with the Federal Emergency Management Agency of the U.S. Department of Homeland Security to provide operating funds for community disaster assistance. Interest is accrued monthly at 1.75% until February 2014, with principle due at maturity on February 18, 2014. The balance of the loan at September 30, 2009 is \$2,290,726.

Park Board entered into a second \$2,290,726 loan agreement with the Federal Emergency Management Agency of the U.S. Department of Homeland Security to provide operating funds for community disaster assistance. Interest is accrued monthly at 2.375% until September 2014, with principle due at maturity on September 13, 2014. No funds have been drawn on the loan as of September 30, 2009.

Capital Lease Obligation

Park Board purchases vehicles and equipment that are required to be reported as capital leases.

Capital lease requirements are as follows:

<u>Fiscal Year Ending 9/30</u>	Park Board of Trustees		
	Capital Lease Requirements		
	Minimum Lease Payments	Present Value Lease Payments	Representing Interest
2010	\$ 318,677	\$ 291,894	\$ 26,783
2011	281,885	268,914	12,971
Totals	\$ 600,562	\$ 560,808	\$ 39,754

Obligations to Concessionaire

Pursuant to an agreement in settlement of a dispute between the Park Board and a contract concessionaire, the Park Board is required to make annual payments to the concessionaire in the amount of \$70,000 per year for ten years beginning February 1, 2000.

In addition, the Park Board is required to budget \$60,000 annually for advertising and promotions to be used by the Director of Marketing for the contractor, subject to the approval of the Executive Director of the Park Board.

The amounts paid to or on behalf of the contractor may be increased every two years in accordance with incremental increases in the Consumer Price Index. Future payments to or on behalf of the contractor, excluding the effects of increases in the Consumer Price Index, if any, are as follows:

Note 12 - Major Contracts and Commitments (continued)

<u>Year Ending September 30</u>	<u>Concession Contract</u>	<u>Advertising and Promotion</u>	<u>Total</u>
2010	\$ 70,000	\$ 60,000	\$ 130,000
Totals	\$ 70,000	\$ 60,000	\$ 130,000

Business-Type Activities

Board of Trustees of the Galveston Wharves

Capital Lease Obligation

During the year ended December 31, 2007, the Wharves entered into a capital lease agreement to finance the purchase of a gangway system for cruise ship terminal 2 in the amount of \$1.7 million. The lease has a term of seven years at an interest rate based on the British Bankers' Association LIBOR interest rate quotation for 12 month US Dollars plus 0.6 percent per annum (for an initial rate of 5.74 percent). This interest rate is adjustable on each anniversary of the agreement. Under the terms of the agreement, the Wharves is to make 83 equal payments of \$17,111 and a final payment of \$16,966 plus a residual payment of \$888,000 on the expiration date of the lease. Future minimum lease payments for the balance of the lease are as follows:

<u>Year Ended December 31</u>	<u>Future Minimum Lease Payments</u>
2009	\$ 203,919
2010	203,919
2011	203,919
2012	203,919
2013	989,960
	<u>1,805,636</u>
Less Interest portion	(306,864)
Capital Lease Payable	<u>\$ 1,498,772</u>

Direct Financing Lease - Dockside Elevator

The Galveston Wharves acquired a dockside elevator in 1977 for \$36,085,730. The acquisition was financed by the issuance of \$26,000,000 special revenue bonds and \$10,085,730 advance rental from the lessee. During 1982, the Wharves issued \$27,420,000 special revenue bonds to finance additional improvements by the lessee that were redeemed on October 1, 1987.

Upon issuing Special Contract Refunding Revenue Bonds in the amount of \$8,500,000 on April 15, 1998, the Galveston Wharves entered into an amended lease agreement, with its present lessee to amend the terms of the lease extending the initial lease period to November 1, 2015 (17 years) with options to extend the lease for four additional successive terms of three years each.

Note 12 - Major Contracts and Commitments (continued)

The outstanding balance of the 1998 special revenue bond as of December 31, 2008, was \$8,500,000 . The Wharves have no obligation for the special revenue bonds beyond the resources provided by the direct financing lease.

The Galveston Wharves accounts for the amended lease as a direct financing lease and reflects the following accounts at December 31, 2008:

	<u>12/31/2008</u>
Minimum lease rental payments receivable	
Due within one year	\$ 956,606
Due after one year	<u>19,525,199</u>
	<u>20,481,805</u>
Unearned income, direct financing lease	
Due within one year	\$ 754,169
Due after one year	<u>7,513,005</u>
	<u>8,267,174</u>
Net investment in direct financing lease	<u>\$ 12,214,631</u>

Unearned income is amortized and charged to operations over the initial and optional terms of the leases on a straight-line basis.

Combination Lease - Sales-Type/Operating

Railroad Facilities

Following the favorable settlement in 2006 of a lawsuit filed by the Wharves over the interpretation of certain language in the lease covering rail facilities owned by the Wharves (which is further described in Note 12 to the Financial Statements) the Wharves entered into a new lease agreement with the previous Lessee covering the rail facilities effective August 1, 2006 through the period ending July 31, 2026. This new lease calls for annual base rent in the amount of \$100,000, adjusted annually for a cost of living increase, and percentage rent of 20% of the Lessee’s total gross revenues. It also calls for relocation of certain rail track, the cost of which will be split 50/50 between the Wharves and the lessee. The lease also provides for the establishment of an “Annual Track Fund”. Under this section the Lessee will accrue \$20,000 per month to be spent on maintaining and repairing the railroad track. If, during the course of a year, Lessee spends less than the annual \$240,000 accrual the balance remaining is to be split 50/50 between the Lessee and the Wharves.

Advance Facility Rental

In 1977 the Galveston Wharves received approximately \$10 million in the form of advanced rental on the dockside elevator facility. It is being recognized over the initial and optional terms of the lease that aggregate fifty years. At December 31, 2008 the amount deferred to future years was approximately \$3.8 million. This amount is presented as deferred revenues and rentals on the face of the financial statements.

Note 12 - Major Contracts and Commitments (continued)

A schedule of minimum lease payments receivable over the life of the lease follows:

Year Ended December 31	Future Minimum Lease Payments
2009	\$ 956,607
2010	956,607
2011	956,607
2012	956,607
2013	956,607
Thereafter	15,698,770
Total	\$ 20,481,805

Operating Leases

The Galveston Wharves leases to others certain land and improvements. These leases are classified as operating leases. As of December 31, 2008, minimum lease payments under these operating leases that have non-cancelable lease terms in excess of one year are as follows:

Year Ended December 31	Future Lease Payments
2009	\$ 774,556
2010	771,556
2011	771,556
2012	771,556
2013	771,556
Thereafter	1,146,693
Total	\$ 5,007,473

Note 13 - Other Post Employment Benefits

Plan Descriptions

The City provides other postemployment retirement benefits (OPEB) for its employees and spouses/dependents through an employer defined benefit OPEB plan. The plan provides health care benefits to employees upon retirement from the City, based on definition from the City. Employees and dependents may continue coverage during retirement by paying the total active contributions, including the city portion and the retiree portion. Spouses/dependents are also eligible to continue coverage. In the case of deferred retirement or death in service, the health care benefit eligibility 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. Employees and dependents continue to pay the employee or dependent share of the contributions charged to active members. Coverage ceases upon reaching Medicare eligibility.

Note 13 - Other Post Employment Benefits (continued)

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB. The City's annual OPEB cost for the fiscal year ending September 30, 2009 is as follows:

Other Post Employment Benefits (OPEB) Obligation		
Net OPEB obligation - 10/1/08		\$0
Plus:		
Annual required contribution	\$ 570,703	
Adjustment to ARC		
		570,703
Annual OPEB cost (expense) - 9/30/09		570,703
Net estimated employer contributions		(270,591)
Net OPEB obligation (asset) 9/30/09		\$ 300,112

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of July 31, 2009 is as follows:

	Actuarial	Actuarial	Actuarial	Unfunded	Fund
Valuation Date	Value of Assets (a)	Liability (AAL) (b)	Liability (UAAL) (b-a)	Liability (UAAL) (b-a)	Ratio (%) (a/b)
7/31/2009	\$	\$ 5,709,319	\$	5,709,319	0.0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$5,709,319 at July 31, 2009.

Actuarial Methods and Assumptions

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

Note 13 -Other Post Employment Benefits (continued)

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

<i>Actuarial Methods and Assumptions</i>	
Actuarial valuation date	7/31/2009
Actuarial cost method	Projected unit credit cost method
Amortization method	Level as a percentage of payroll
Amortization period	30 years
Investment rate of return	4.5%, net of expenses
Projected salary increase	3.0% per annum

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

Note 14 - Employee Retirement Benefits

A. Primary Government Benefit Plans

Plan Descriptions

The City sponsors three single-employer defined benefit pension plans. The City Employees’ Retirement Plan (CERF) covers 866 employees and retirees, Galveston Firefighters’ Pension Fund (GFPF) covers 195 employees and retirees, and City Employees’ Retirement Plan for Police (PERF) covers 265 employees and retirees. The City Employees’ Retirement Plan for City Employees and the City Employees’ Retirement Plan for Police were created by ordinances dated 1949, and 1981, respectively. Subsequent ordinances assign the authority to establish and amend benefit provisions to the Board of Trustees of each plan.

The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer had made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The benefit and contribution provisions of the Galveston Firefighters’ Pension Fund are authorized by Texas Local Fire Fighter’s Retirement Act (Article 624e Vernon’s Texas Civil Statutes).

All plans provide retirement, disability, and death benefits to members and beneficiaries. Cost-of-Living Adjustments (COLA) are provided at the discretion of the Board of Trustees for each plan respectively.

Note 14 - Employee Retirement Benefits (continued)

A. Primary Government Benefit Plans (continued)

Financial reports that include financial statements and required supplementary information, including the ten-year trend information, for each retirement plan are publicly available. Complete financial statements for each of the plans units may be obtained at the following administrative offices:

The City of Galveston Employees' Retirement Plan for City Employees
 4415 Avenue S
 Galveston, Texas 77551

Galveston Firefighters' Pension Fund
 6511 Stewart Rd. Suite 4B
 Galveston, Texas 77554

The City of Galveston Employees' Retirement Plan For Police
 4415 Avenue S
 Galveston, Texas 77551

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established and may be amended by a majority vote of the membership. The contribution requirements of the City are established and may be amended by the City Council. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City's annual pension cost for the current year and related information is as follows:

Retirement Plan	Year Ending	Annual Required Contributions	Actual Contributions Made	Contributed	Net Pension Obligation (Asset)
<i>Primary Government</i>					
Employees' Retirement Plan for City Employees	12/31/2006	\$ 1,269,296	\$ 1,269,296	100%	\$
	12/31/2007	1,502,821	1,357,087	90%	145,734
	12/31/2008	1,514,070	1,514,397	100%	145,407
Galveston Firefighters' Pension Fund	12/31/2006	\$ 729,557	\$ 826,577	113%	\$ (126,681)
	12/31/2007	894,068	933,123	104%	(168,808)
	12/31/2008	698,276	964,703	138%	(435,235)
Employees' Retirement Plan for City Police	12/31/2006	\$ 754,559	\$ 652,350	86%	\$ 1,216,382
	12/31/2007	859,603	860,128	100%	1,215,857
	12/31/2008	475,958	1,234,565	259%	457,250

Note 14 - Employee Retirement Benefits (continued)

A. Primary Government Benefit Plans (continued)

	Employees' Retirement Plan	Firefighters' Pension Fund	Police Retirement Plan
Contribution Rates:			
City	6.00%	14.00%	10.00%
Plan Members	6.00%	12.00%	10.00%
Actuarial valuation date	01/01/08	01/01/08	01/01/08
Actuarial cost method	Entry Age	Entry Age	Entry Age
Asset valuation method	Smoothed market value	Smoothed market value	Market value smoothed by a 5-year deferred recognition method with a 90% / 110% corridor on market
Amortization method	Level percentage of pay contribution	Level percentage of projected payroll, open	Level percentage of projected payroll, open
Amortization period	30	17.5	15.6
Actuarial assumptions:			
Inflation	5.25%	3.25%	4.00%
Investment rate of return	8.00%	8.00%	7.50%
Projected salary increase	5.25%	4.50%	5.60%

**Retirement Plan for Employees - Net Pension Obligation
Components**

NPO 12/31/07		\$ 145,734
Plus:		
Annual required contribution	<u>\$ 1,514,070</u>	
Annual pension cost		1,514,070
Actual contributions made		<u>(1,514,397)</u>
NPO 12/31/08		<u><u>\$ 145,407</u></u>

Note 14 - Employee Retirement Benefits (continued)

A. Primary Government Benefit Plans (continued)

Firefighters' Pension Fund - Net Pension Asset Components		
NPO 12/31/07		\$ (168,808)
Plus:		
Annual required contribution	\$ 698,276	
Annual pension cost		698,276
Actual contributions made		(964,703)
NPO 12/31/08		<u>\$ (435,235)</u>

Retirement Plan for Police - Net Pension Obligation Components		
NPO 12/31/07		\$ 1,215,857
Plus:		
Annual required contribution	\$ 449,767	
Interest on NPO	91,189	
Adjustment to ARC	(64,998)	
Annual pension cost		475,958
Actual contributions made		(1,234,565)
NPO 12/31/08		<u>\$ 457,250</u>

B. Discretely Presented Component Unit Benefit Plans

Board of Trustees of the Galveston Wharves

Plan Description

The Galveston Wharves Pension Plan (“The Plan”) is a single-employer defined benefit pension plan administered by an administrative committee appointed by the Board of Trustees of the Galveston Wharves. The Plan provides retirement, death, and disability benefits for all regular, full-time employees and employees surviving spouses, except those employees covered by a collective bargaining agreement, of the Galveston Wharves. The authority under which obligation to contribute to The Plan and any plan amendments is vested in the Board of Trustees of the Galveston Wharves by Article 12 of the Charter of the City of Galveston, Texas. The Plan issues a stand-alone financial report that may be obtained by requesting such report from the Board of Trustees of the Galveston Wharves, 123 Rosenberg, P.O. Box 328, Galveston, Texas 77553.

Basis of Accounting

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Plan assets are reported at fair value.

Note 14 - Employee Retirement Benefits (continued)

B. Discretely Presented Component Unit Benefit Plans (continued)

Annual Pension Cost - Unaudited

Valuation elements for the three preceding years and actuarial valuation methods for the most recent valuation are as follows:

	<u>January 1, 2008</u>	<u>January 1, 2007</u>	<u>January 1, 2006</u>
Actuarial value of plan assets	\$ 10,042,804	\$ 10,160,401	\$ 7,996,824
Actuarial accrued liability	<u>10,624,989</u>	<u>10,348,148</u>	<u>9,167,920</u>
Total funding excess (deficit)	<u>\$ (582,185)</u>	<u>\$ (187,747)</u>	<u>\$ (1,171,096)</u>
Annual covered payroll	<u>\$ 4,096,280</u>	<u>\$ 3,963,526</u>	<u>\$ 3,575,578</u>
Ratio-over (under) funded to covered payroll	<u>-14%</u>	<u>-5%</u>	<u>-33%</u>

Annual required contributions for years requiring contributions are determined as part of the year's end actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include a seven and one-half percent per annum investment rate of return after administrative expenses and projected salary increases averaging 4.6 percent per year. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a four-year period. Actuarial required contributions contributed to the Plan by the Wharves during 2008 were \$ 239,795 . At December 31, 2008 the Plan had an unfunded actuarial liability of \$582,185 .

Park Board of Trustees

The Galveston Park Board contributes to the Galveston Park Board Defined Contribution Plan (PBDCP), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Any employee of the Galveston Park Board is eligible to participate in the plan upon attaining the age of twenty-one (21) years and twelve (12) months employment. Mandatory employee contributions vest immediately while contributions made by the Park Board vest upon a graduating scale from twenty percent (20%) after two years of service to 100% after seven (7) years of service. An employee who leaves the employment of the Park Board is entitled to his or her accumulated contributions and the Park Board's accumulated contributions to the extent that vesting rights have been attained. Employees participating in the plan must contribute three percent (3%) of covered compensation while the Park Board is required to contribute five percent (5%) of each eligible employees' covered compensation up to \$30,000 or twenty-five percent (25%) of total salary, whichever is less. If in any year the Park Board makes a contribution that is less than five percent (5%) the employees may reduce their contributions proportionately. If the Park Board makes no contribution, the employees do not have to contribute.

Note 14 - Employee Retirement Benefits (continued)

B. Discretely Presented Component Unit Benefit Plans (continued)

During the year, the Park Board's required and actual contributions amounted to \$70,365, which was five percent (5%) of \$1,408,379, its current-year covered payroll. Employees' required and actual contributions amounted to \$58,148. Total current year payroll was \$3,104,302.

No pension provision changes occurred during the year that affected required contributions to be made by the Galveston Park Board or its employees.

The PBDCP held no securities of the Park Board or other related parties during the year or as of the close of the fiscal year.

Deferred Compensation Plan

City of Galveston

The City of Galveston, The Park Board and The Galveston Wharves offer employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, are a tax deferred supplemental retirement program that allows employees to contribute a portion of their salary, before federal taxes, to a retirement account. The purpose for establishing these tax-favored plans was to encourage employees to build their own financial security. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As a result of recent legislation these funds will be restricted from general creditors in the future. The funds are held in trusts for participating employees, and the City and its creditors have no rights to these funds. The funds held in trusts are not included in these financial statements.

Note 15 - Extraordinary Item - Hurricane Ike

Hurricane Ike, a category 2 hurricane, with a storm surge of that of a category 4 hurricane, made landfall in the City of Galveston on September 13, 2008. It generated hurricane force winds, storm surge and severe flooding which caused extensive damage to structures and vehicles and resulted in widespread debris over the entire island. Catastrophic destruction was done to the City's water and sewer systems, the City's fleet, various equipment, transportation system, airport and to municipal buildings and streets.

Throughout the current fiscal year, starting in October 2008, the City received numerous reimbursements from the Federal Emergency Management Agency (FEMA) totaling over \$64 million. Approximately 745 project worksheets were identified and 632 were written up during the fiscal year and submitted to FEMA for reimbursement. These included storm-related repairs and debris removal. Insurance proceeds have also been received, and gains on asset restorations related to Ike have been booked. Both are identified as extraordinary items in the City's financial statements.

Note 16 - Major Discretely Presented Component Units

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

Note 16 - Major Discretely Presented Component Units (continued)

CITY OF GALVESTON
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF NET ASSETS
September 30, 2009

	Park Board of Trustees	Galveston Island Redevelopment Authority	Campeche Shores- Public Improvement District No. 1
Assets			
Cash and equivalents	\$ 5,272,956	\$ 2,839,655	\$ 5,874
Investments	15,165		
Receivables-less allowance for uncollectibles	2,270,038	99,057	108,680
Due from other governments		609,671	
Prepaid items	96,863		
Deferred charges		60,547	
Restricted assets	681,032		
Capital assets (net of accumulated depreciation)	319,186,668		
Total assets	327,522,722	3,608,930	114,554
Liabilities			
Accounts payable and accrued expenses	2,053,947	997,766	
Accrued interest	34,954	160,695	
Due to other governments	128,473		
Long-term liabilities:			
Due within one year	730,406	525,000	
Due in more than one year	3,471,099	6,845,000	
Total liabilities	6,418,879	8,528,461	
Net Assets			
Invested in capital assets, net of related debt	317,554,606		
Restricted:			
Debt service		685,695	
Other projects	849,872		
Unrestricted	2,699,365	(5,605,226)	114,554
Total Net Assets	\$ 321,103,843	\$ (4,919,531)	\$ 114,554

Note 16 - Major Discretely Presented Component Units (continued)

Preserve at Sweetwater Lake- Public Improvement District	Totals
\$ 313	\$ 8,118,798
	15,165
	2,477,775
	609,671
	96,863
	60,547
	681,032
	<u>319,186,668</u>
<u>313</u>	<u>331,246,519</u>
	3,051,713
	195,649
	128,473
	1,255,406
	<u>10,316,099</u>
	<u>14,947,340</u>
	317,554,606
	685,695
	849,872
313	(2,790,994)
<u>\$ 313</u>	<u>\$ 316,299,179</u>

Note 16 - Major Discretely Presented Component Units (continued)

DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component Unit				
Park Board of Trustees	\$ 29,177,479	\$ 3,408,781	\$	\$ 9,131,323
Galveston Island Redevelopment Authority	2,978,521		1,200,744	
Campeche Shores- Public Improvement District No. 1	98,334			
Preserve at Sweetwater Lake- Public Improvement District				
	<u>\$ 32,254,334</u>	<u>\$ 3,408,781</u>	<u>\$ 1,200,744</u>	<u>\$ 9,131,323</u>

General revenues:

Taxes:

Property taxes

Sales and use tax

Hotel occupancy taxes

Unrestricted investment earnings

Capital asset contributions, net

Total general revenues and extraordinary items

Change in net assets

Net assets - beginning

Net assets - ending

Note 16 - Major Discretely Presented Component Units (continued)

Net (Expense) and Changes in Net Assets				
Park Board of Trustees	Galveston Island Redevelopment Authority	Campeche Shores- Public Improvement District No. 1	Preserve at Sweetwater Lake- Public Improvement District	Totals
\$ (16,637,375)	\$	\$	\$	\$ (16,637,375)
	(1,777,777)			(1,777,777)
		(98,334)		(98,334)
<u>(16,637,375)</u>	<u>(1,777,777)</u>	<u>(98,334)</u>		<u>(18,513,486)</u>
	2,392,061	88,200		2,480,261
711,520				711,520
5,210,343				5,210,343
186,259	11,414	396	46	198,115
<u>18,678,054</u>				<u>18,678,054</u>
<u>24,786,176</u>	<u>2,403,475</u>	<u>88,596</u>	<u>46</u>	<u>27,278,293</u>
8,148,801	625,698	(9,738)	46	8,764,807
312,955,042	(5,545,229)	124,292	267	307,534,372
<u>\$ 321,103,843</u>	<u>\$ (4,919,531)</u>	<u>\$ 114,554</u>	<u>\$ 313</u>	<u>\$ 316,299,179</u>

Note 16 - Major Discretely Presented Component Units (continued)

DISCRETELY PRESENTED COMPONENT UNIT - BUSINESS ACTIVITY TYPES
STATEMENT OF NET ASSETS
December 31, 2008

	Board of Trustees of Galveston Wharves	Galveston Housing Finance Corporation
	<u> </u>	<u> </u>
Assets		
Cash and equivalents	\$ 9,886,687	\$ 97,091
Investments		
Receivables-less allowance for uncollectibles	30,962,077	
Internal balances		(93,940)
Prepays	364,362	
Restricted assets	37,456,831	
Deferred charges	1,314,324	
Net investment in direct financing and capital leases- noncurrent	12,012,194	
Capital assets not being depreciated	22,990,309	332,817
Capital assets (net of accumulated depreciation)	<u>69,145,987</u>	
Total Assets	<u>184,132,771</u>	<u>335,968</u>
Liabilities		
Accounts payable and accrued expenses	22,889,000	15,188
Accrued interest	1,288,693	
Due to other governmental agencies	197,072	
Due to primary government	19,323,672	
Deferred revenues	3,897,001	
Long-term liabilities		
Due within one year	4,552,676	
Due in more than one year	<u>51,776,194</u>	
Total liabilities	<u>103,924,308</u>	<u>15,188</u>
Net Assets		
Invested in capital assets, net of related debt	56,794,515	
Restricted for:		
Debt service	7,655,947	
Unrestricted	<u>15,758,001</u>	320,780
Total Net Assets	<u>\$ 80,208,463</u>	<u>\$ 320,780</u>

Note 16 - Major Discretely Presented Component Units (continued)

Galveston Property Finance Authority	Total
\$ 25,171	\$ 10,008,949
299,654	299,654
	30,962,077
93,940	
	364,362
79,848	37,536,679
	1,314,324
	12,012,194
716,015	24,039,141
	69,145,987
1,214,628	185,683,367
13,928	22,918,116
5,100	1,293,793
	197,072
	19,323,672
	3,897,001
130,000	4,682,676
50,000	51,826,194
199,028	104,138,524
	56,794,515
98,883	7,754,830
916,717	16,995,498
\$ 1,015,600	\$ 81,544,843

Note 16 - Major Discretely Presented Component Units (continued)

DISCRETELY PRESENTED COMPONENT UNIT - BUSINESS ACTIVITY TYPES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Component Units				
Business-type Activities:				
Board of Trustees				
of Galveston Wharves	\$ 18,685,106	\$ 22,489,156	\$ 5,909,385	\$ 123,938
Galveston Housing				
Finance Corporation	16,895	2,085		
Galveston Property				
Finance Authority	60,052	10,145		
Totals	<u>\$ 18,762,053</u>	<u>\$ 22,501,386</u>	<u>\$ 5,909,385</u>	<u>\$ 123,938</u>

General revenues:

- Unrestricted investment earnings
- Miscellaneous
- Extraordinary item-insurance proceeds for business loss and casualty
- Extraordinary item-clean up and repair - Hurricane Ike
- Extraordinary item-gain on restoration of assets due to Hurricane Ike

Total general revenues and transfers

- Change in net assets

Net assets - beginning

Net assets - ending

Note 16 - Major Discretely Presented Component Units (continued)

Net (Expense) Revenue and Changes in Net Assets			
Component Unit			
Board of Trustees of Galveston Wharves	Galveston Housing Finance Corporation	Galveston Property Finance Authority	Total
\$ 9,837,373	\$	\$	\$ 9,837,373
	(14,810)		(14,810)
		(49,907)	(49,907)
<u>9,837,373</u>	<u>(14,810)</u>	<u>(49,907)</u>	<u>9,772,656</u>
982,330	2,051	30,242	1,014,623
(3,027,497)			(3,027,497)
21,124,889			21,124,889
(18,885,009)			(18,885,009)
<u>1,533,110</u>			<u>1,533,110</u>
<u>1,727,823</u>	<u>2,051</u>	<u>30,242</u>	<u>1,760,116</u>
11,565,196	(12,759)	(19,665)	11,532,772
<u>68,643,267</u>	<u>333,539</u>	<u>1,035,265</u>	<u>70,012,071</u>
<u>\$ 80,208,463</u>	<u>\$ 320,780</u>	<u>\$ 1,015,600</u>	<u>\$ 81,544,843</u>

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Required Supplementary Information

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SCHEDULES OF FUNDING PROGRESS

Primary Government

Employees' Retirement Plan for City Employees (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
01/01/2007	\$ 35,587,281	\$ 42,116,341	\$ 6,529,060	84.5%	\$ 16,604,915	39.3%
01/01/2008	\$ 38,163,964	\$ 43,922,499	\$ 5,758,535	86.9%	\$ 17,331,890	33.2%
01/01/2009	\$ 35,177,509	\$ 45,482,941	\$ 10,305,432	77.3%	\$ 18,171,916	56.7%

Galveston Firefighters' Pension Fund (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
01/01/2004	\$ 26,956,845	\$ 34,723,058	\$ 7,766,213	77.6%	\$ 4,814,360	161.3%
01/01/2006	\$ 31,247,296	\$ 39,606,700	\$ 8,359,404	78.9%	\$ 5,813,514	143.8%
01/01/2008	\$ 36,660,215	\$ 43,218,834	\$ 6,558,619	84.8%	\$ 6,125,532	107.1%

Employees' Retirement Plan for Police (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
01/01/2007	\$ 25,077,433	\$ 40,639,131	\$ 15,561,698	61.7%	\$ 8,198,433	189.8%
01/01/2008	\$ 26,151,141	\$ 43,468,468	\$ 17,317,327	60.2%	\$ 9,960,275	173.9%
01/01/2009	\$ 21,248,164	\$ 46,445,245	\$ 25,197,081	45.7%	\$ 9,081,963	277.4%

City of Galveston Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)
7/31/2009	\$	\$ 5,709,319	\$ 5,709,319	0.0%

Discretely Presented Component Unit

Board of Trustees of Galveston Wharves Pension Plan (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
01/01/2006	\$ 7,996,824	\$ 9,167,920	\$ 1,171,096	87.2%	\$ 3,575,578	32.8%
01/01/2007	\$ 10,160,401	\$ 10,348,148	\$ 187,747	98.2%	\$ 3,963,526	4.7%
01/01/2008	\$ 10,042,804	\$ 10,624,989	\$ 582,185	94.5%	\$ 4,096,280	14.2%

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Other Supplementary Information

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CITY OF GALVESTON, TEXAS

Exhibit A-1

GENERAL FUND

**SCHEDULE OF EXPENDITURES, BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
General government			
Legislative	\$ 423,759	\$ 323,711	\$ 100,048
Judicial	643,174	529,272	113,902
Executive	1,361,150	1,187,113	174,037
City auditor	33,911	8,853	25,058
Finance	2,085,172	2,020,780	64,392
Legal	751,268	558,699	192,569
Personnel	341,126	289,830	51,296
Taxation	208,301	188,353	19,948
Total general government	5,847,861	5,106,611	741,250
Public safety			
Police	17,931,821	16,404,445	1,527,376
Special events	200,346		200,346
Fire	9,560,672	9,366,782	193,890
Emergency medical service	778,299	778,268	31
Emergency management	171,915	98,808	73,107
Total public safety	28,643,053	26,648,303	1,994,750
Public works and traffic	3,659,814	2,825,865	833,949
Culture and recreation	2,147,857	1,761,309	386,548
Planning and community development	1,883,415	1,634,126	249,289
Transportation system	850,000	756,364	93,636
Vehicle capital outlay	278,370		278,370
Total expenditures	\$ 43,310,370	\$ 38,732,578	\$ 4,577,792

Nonmajor Governmental Funds

Special Revenue Funds

To account for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

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

Parks and Recreation Improvements - to account for revenues set aside for the purchase of parks and park improvements.

Grants and Government Contracts - to account for receipt and expenditure of Federal and State revenues designated for special programs.

Street Improvements - to account for receipts and expenditures for, street improvements street resurfacing projects.

Industrial Development Corporation – to account for sales tax revenues collected for street and drainage, beach renourishment, and sewer projects.

Project Specific Programs - to account for receipt and expenditures designated for governmental special projects.

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

Convention Center Fund - to account for operating and capital reserves relating to the Convention Center.

2008 Buffer Zone Protection – to account for receipt and expenditures of Federal revenue designated for police projects

CDBG Disaster Fund Housing – to account for receipt and expenditure of Federal revenue designated for housing rehabilitation.

2007 State Homeland Security Program Grant - to account for receipt and expenditure of Federal and State revenues designated for emergency preparedness.

Debt Service Funds

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

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

Nonmajor Governmental Funds (Continued)

Capital Projects Funds

To account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Drainage and Street Improvements - to account for capital outlay for, drainage and street improvements for improving drains and streets, financed by Industrial Development Corporation.

Sewer Improvements - to account for capital outlay for, sewer improvements financed by Industrial Development Corporation.

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

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

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

Industrial Development Corporation Capital Improvements – to account for capital outlay for beach renourishment, economic development, and improvements city parks, and street, drainage and sewer systems financed by Industrial Development Corporation.

CITY OF GALVESTON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2009

	Rosenberg Library	Parks and Recreation Improvement	Grants and Government Contracts	Street Improvements
Assets				
Cash and cash equivalents	\$ 1,215	\$ 7,523	\$ 86,334	\$
Due from other funds				
Receivables (net of allowance for uncollectibles)	128,197		993,105	
Due from other governments			506,345	
Total Assets	<u>\$ 129,412</u>	<u>\$ 7,523</u>	<u>\$ 1,585,784</u>	<u>\$</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,089	\$	\$ 17,758	\$
Other accrued expenses			28,887	
Due to other funds				
Payable to other governments			142	
Deferred revenue	122,323		1,571,379	
Total Liabilities	<u>129,412</u>	<u></u>	<u>1,618,166</u>	<u></u>
 Fund balances:				
Reserved for:				
Capital projects				
Debt service				
Other purposes		7,523		
Unreserved			(32,382)	
Total Fund Balances		<u>7,523</u>	<u>(32,382)</u>	
Total Liabilities and Fund Balances	<u>\$ 129,412</u>	<u>\$ 7,523</u>	<u>\$ 1,585,784</u>	<u>\$</u>

Industrial Development Corporation	Project Specific Programs	Mary Moody Northern Endowment	Convention Center Funds	2008 Buffer Zone Protection	CDBG Disaster Fund Housing	2007 SHSP Grant
\$	\$ 1,759,700 40	\$ 21,000	\$ 4,096,095 1,616	\$	\$	\$
1,587 750,349	10,050 688,221			11,454	477	11,196
<u>\$ 751,936</u>	<u>\$ 2,458,011</u>	<u>\$ 21,000</u>	<u>\$ 4,097,711</u>	<u>\$ 11,454</u>	<u>\$ 477</u>	<u>\$ 11,196</u>
\$	\$ 693,744	\$ 3,689	\$	\$ 2,789	\$	\$ 8,341
751,936				8,665	436 41	2,855
	21,755 420	30,000				
<u>751,936</u>	<u>715,919</u>	<u>33,689</u>		<u>11,454</u>	<u>477</u>	<u>11,196</u>
	1,742,092	(12,689)	4,097,711			
	<u>1,742,092</u>	<u>(12,689)</u>	<u>4,097,711</u>			
<u>\$ 751,936</u>	<u>\$ 2,458,011</u>	<u>\$ 21,000</u>	<u>\$ 4,097,711</u>	<u>\$ 11,454</u>	<u>\$ 477</u>	<u>\$ 11,196</u>

CITY OF GALVESTON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2009

	Debt Service Fund	Hotel Occupancy Tax Debt Service Fund	Drainage and Street Improvements	Sewer Improvements
Assets				
Cash and cash equivalents	\$ 4,506,611	\$ 3,099,427	\$ 2,446,156	\$ 3,457,765
Due from other funds				
Receivables (net of allowance for uncollectibles)	133,993			
Due from other governments				
Total Assets	<u>\$ 4,640,604</u>	<u>\$ 3,099,427</u>	<u>\$ 2,446,156</u>	<u>\$ 3,457,765</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 49,465	\$	\$ 57,966	\$ 334,394
Other accrued expenses				4,050
Due to other funds				
Payable to other governments				
Deferred revenue	86,622			
Total Liabilities	<u>136,087</u>		<u>57,966</u>	<u>338,444</u>
Fund balances:				
Reserved for:				
Capital projects			2,388,190	3,119,321
Debt service	4,504,517	3,099,427		
Other purposes				
Unreserved				
Total Fund Balances	<u>4,504,517</u>	<u>3,099,427</u>	<u>2,388,190</u>	<u>3,119,321</u>
Total Liabilities and Fund Balances	<u>\$ 4,640,604</u>	<u>\$ 3,099,427</u>	<u>\$ 2,446,156</u>	<u>\$ 3,457,765</u>

General Obligation Bond 2001 Capital Projects	Island Transit Capital Projects	General Obligation Bond 2005 Capital Projects	IDC Capital Improvements	Totals
\$ 356,403	\$	\$ 3,259,517	\$ 694,210 751,936	\$ 23,791,956 753,592
	239,328			1,266,932
				2,207,370
<u>\$ 356,403</u>	<u>\$ 239,328</u>	<u>\$ 3,259,517</u>	<u>\$ 1,446,146</u>	<u>\$ 28,019,850</u>
\$	\$ 48,346	\$ 4,860	\$	\$ 1,228,441
	145,718			33,373
				909,215
				21,897
	101,333			1,912,077
	295,397	4,860		4,105,003
356,403				5,863,914
				11,688,966
		3,254,657	1,446,146	6,450,418
	(56,069)			(88,451)
<u>356,403</u>	<u>(56,069)</u>	<u>3,254,657</u>	<u>1,446,146</u>	<u>23,914,847</u>
<u>\$ 356,403</u>	<u>\$ 239,328</u>	<u>\$ 3,259,517</u>	<u>\$ 1,446,146</u>	<u>\$ 28,019,850</u>

CITY OF GALVESTON, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	<u>Rosenberg Library</u>	<u>Parks and Recreation Improvement</u>	<u>Grants and Government Contracts</u>	<u>Street Improvements</u>
Revenues				
Property taxes	\$ 1,993,557	\$	\$	\$
Sales and use taxes				
Fines and forfeitures				
Charges for services			10,961	
Investment earnings		157	390	
Intergovernmental			1,661,760	
Other				
Total Revenues	<u>1,993,557</u>	<u>157</u>	<u>1,673,111</u>	
Expenditures				
Current:				
General government				
Public safety			43,159	
Culture and recreation	1,993,557		108,407	
Planning and community development			1,464,548	
Transportation				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay		8,694	70,322	118
Total Expenditures	<u>1,993,557</u>	<u>8,694</u>	<u>1,686,436</u>	<u>118</u>
Excess (deficiency) of revenues over expenditures		<u>(8,537)</u>	<u>(13,325)</u>	<u>(118)</u>
Other Financing Sources (Uses)				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)				
Extraordinary item - insurance proceeds related to Hurricane Ike				
Net change in fund balances		(8,537)	(13,325)	(118)
Fund balances - beginning		<u>16,060</u>	<u>(19,057)</u>	<u>118</u>
Fund balances - ending	<u>\$</u>	<u>\$ 7,523</u>	<u>\$ (32,382)</u>	<u>\$</u>

Industrial Development Corporation	Project Specific Programs	Mary Moody Northern Endowment	Convention Center Funds	2008 Buffer Zone Protection	CDBG Disaster Fund Housing
\$	\$	\$	\$	\$	\$
4,641,291	107,735		1,741,058		
	107,203				
	143,703				
11,902	21,313		10,981		
	197,589			11,454	477
	29,970		710,672		
<u>4,653,193</u>	<u>607,513</u>		<u>2,462,711</u>	<u>11,454</u>	<u>477</u>
	120,365				
	180,596	12,689		11,454	
573,188	78,570		4,116,881		477
	70,873				
<u>573,188</u>	<u>450,404</u>	<u>12,689</u>	<u>4,116,881</u>	<u>11,454</u>	<u>477</u>
4,080,005	157,109	(12,689)	(1,654,170)		
(4,080,005)					
<u>(4,080,005)</u>					
	23,422		2,489,544		
	180,531	(12,689)	835,374		
	1,561,561		3,262,337		
<u>\$</u>	<u>\$ 1,742,092</u>	<u>\$ (12,689)</u>	<u>\$ 4,097,711</u>	<u>\$</u>	<u>\$</u>

CITY OF GALVESTON, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	<u>2007 SHSP Grant</u>	<u>Debt Service Fund</u>	<u>Hotel Occupancy Tax Debt Service Fund</u>	<u>Drainage and Street Improvements</u>
Revenues				
Property taxes	\$	\$ 2,033,827	\$	\$
Sales and use taxes			1,893,116	
Fines and forfeitures				
Charges for services				
Investment earnings		52,409	17,500	25,221
Intergovernmental	37,986			
Other				
Total Revenues	<u>37,986</u>	<u>2,086,236</u>	<u>1,910,616</u>	<u>25,221</u>
Expenditures				
Current:				
General government				
Public safety	32,607			
Culture and recreation				
Planning and community development				
Transportation				
Debt Service:				
Principal		1,381,067	445,000	
Interest and other charges		1,972,761	1,455,724	
Capital outlay	26,218			269,103
Total Expenditures	<u>58,825</u>	<u>3,353,828</u>	<u>1,900,724</u>	<u>269,103</u>
Excess (deficiency) of revenues over expenditures	<u>(20,839)</u>	<u>(1,267,592)</u>	<u>9,892</u>	<u>(243,882)</u>
Other Financing Sources (Uses)				
Transfers in		1,817,270		575,413
Transfers (out)				
Total Other Financing Sources (Uses)		<u>1,817,270</u>		<u>575,413</u>
Extraordinary item - insurance proceeds related to Hurricane Ike	<u>20,839</u>			
Net change in fund balances		549,678	9,892	331,531
Fund balances - beginning		<u>3,954,839</u>	<u>3,089,535</u>	<u>2,056,659</u>
Fund balances - ending	<u>\$</u>	<u>\$ 4,504,517</u>	<u>\$ 3,099,427</u>	<u>\$ 2,388,190</u>

<u>Sewer Improvements</u>	<u>General Obligation Bond 2001 Capital Projects</u>	<u>Island Transit Capital Projects</u>	<u>General Obligation Bond 2005 Capital Projects</u>	<u>IDC Capital Improvements</u>	<u>Totals</u>
\$	\$	\$	\$	\$	\$ 4,027,384
					8,383,200
					107,203
					154,664
50,290	4,140		32,221	114	226,638
		787,398			2,696,664
					740,642
<u>50,290</u>	<u>4,140</u>	<u>787,398</u>	<u>32,221</u>	<u>114</u>	<u>16,336,395</u>
					120,365
					280,505
					6,870,603
					1,465,025
		396,094			396,094
					1,826,067
					3,428,485
<u>1,427,610</u>	<u>251,252</u>	<u>391,304</u>	<u>729,792</u>		<u>3,245,286</u>
<u>1,427,610</u>	<u>251,252</u>	<u>787,398</u>	<u>729,792</u>		<u>17,632,430</u>
<u>(1,377,320)</u>	<u>(247,112)</u>		<u>(697,571)</u>	<u>114</u>	<u>(1,296,035)</u>
241,290				1,446,032	4,080,005
					(4,080,005)
<u>241,290</u>				<u>1,446,032</u>	
					2,533,805
<u>(1,136,030)</u>	<u>(247,112)</u>		<u>(697,571)</u>	<u>1,446,146</u>	<u>1,237,770</u>
<u>4,255,351</u>	<u>603,515</u>	<u>(56,069)</u>	<u>3,952,228</u>		<u>22,677,077</u>
<u>\$ 3,119,321</u>	<u>\$ 356,403</u>	<u>\$ (56,069)</u>	<u>\$ 3,254,657</u>	<u>\$ 1,446,146</u>	<u>\$ 23,914,847</u>

CITY OF GALVESTON, TEXAS

Exhibit B-3

SPECIAL REVENUE FUND - ISLAND TRANSIT

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)

For the Year Ended September 30, 2009

	2009		
	Budget	Actual	Variance Positive / (Negative)
Revenues			
Intergovernmental - federal	\$ 2,286,813	\$ 1,350,213	\$ (936,600)
Intergovernmental - state	399,691	441,967	42,276
Intergovernmental - local	650,000	650,000	
Farebox revenues	380,000	208,726	(171,274)
Charges for services	340,000	245,771	(94,229)
Other	50,000	6,326	(43,674)
Total Revenues	4,106,504	2,903,003	(1,203,501)
Expenditures			
Current:			
Transportation system:			
Transit system:			
Personnel services	1,503,173	1,062,062	441,111
Materials and supplies	50,000	8,474	41,526
Contractual services	655,909	235,050	420,859
Other charges	106,142	106,142	
Total transportation system expenditures	2,315,224	1,411,728	903,496
Maintenance:			
Personnel services	1,066,410	838,335	228,075
Materials and supplies	223,358	99,939	123,419
Contractual services	83,025	68,870	14,155
Total maintenance expenditures	1,372,793	1,007,144	365,649
Administration:			
Personnel services	210,421	184,865	25,556
Materials and supplies	41,844	28,934	12,910
Contractual services	111,753	99,618	12,135
Other charges	536	536	
Total administration expenditures	364,554	313,953	50,601
Total Expenditures	4,052,571	2,732,825	1,319,746
Revenues over (under) expenditures	53,933	170,178	116,245
Other Financing Sources (Uses)			
Extraordinary item - insurance proceeds related to Hurricane Ike			
	14,357	14,357	
Revenues and other financing sources over/(under) expenditures	68,290	184,535	116,245
Fund balances, beginning of year	294,597	294,597	
Fund balances at year end	\$ 362,887	\$ 479,132	\$ 116,245

CITY OF GALVESTON, TEXAS

Exhibit B-4

SPECIAL REVENUE FUND - ROSENBERG LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)

For the Year Ended September 30, 2009

	2009		Variance Positive / (Negative)
	Budget	Actual	
Revenues			
Property taxes - current	\$ 1,992,500	\$ 1,955,289	\$ (37,211)
Property taxes - delinquent	54,074	38,268	(15,806)
Total Revenues	<u>2,046,574</u>	<u>1,993,557</u>	<u>(53,017)</u>
Expenditures			
Current:			
Payments to Rosenberg Library	<u>2,046,574</u>	<u>1,993,557</u>	<u>53,017</u>
Total Expenditures	<u>2,046,574</u>	<u>1,993,557</u>	<u>53,017</u>
Revenues over (under) expenditures	_____	_____	_____
Fund balances, beginning of year	_____	_____	_____
Fund balances at year end	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

CITY OF GALVESTON, TEXAS
SPECIAL REVENUE FUND - PARKS AND RECREATION IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

Exhibit B-5

	2009		
	Budget	Actual	Variance Positive / (Negative)
Revenues			
Investment earnings	\$	\$ 157	\$ 157
Total Revenues		<u>157</u>	<u>157</u>
Expenditures			
Capital outlay	11,400	8,694	2,706
Total Expenditures	<u>11,400</u>	<u>8,694</u>	<u>2,706</u>
Revenues over (under) expenditures	<u>(11,400)</u>	<u>(8,537)</u>	<u>2,863</u>
Revenues and other financing sources over/(under) expenditures	(11,400)	(8,537)	2,863
Fund balances, beginning of year	16,060	16,060	
Fund balances at year end	<u>\$ 4,660</u>	<u>\$ 7,523</u>	<u>\$ 2,863</u>

CITY OF GALVESTON, TEXAS

Exhibit B-6

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)

For the Year Ended September 30, 2009

	2009		Variance Positive / (Negative)
	Budget	Actual	
Revenues			
Property taxes	\$ 2,077,631	\$ 2,033,827	\$ (43,804)
Earnings on investments	141,000	52,409	(88,591)
Total Revenues	<u>2,218,631</u>	<u>2,086,236</u>	<u>(132,395)</u>
Expenditures			
Principal retirement	2,109,608	1,374,598	735,010
Interest and fiscal agent fees	2,673,502	1,979,230	694,272
Total Expenditures	<u>4,783,110</u>	<u>3,353,828</u>	<u>1,429,282</u>
Revenues over (under) expenditures	<u>(2,564,479)</u>	<u>(1,267,592)</u>	<u>1,296,887</u>
Other Financing Sources (Uses)			
Transfer in:			
Industrial Development Corporation	1,329,735	1,817,270	487,535
Waterworks	584,380		(584,380)
Sewer	584,380		(584,380)
Central Service	256,557		(256,557)
	<u>2,755,052</u>	<u>1,817,270</u>	<u>(937,782)</u>
Revenues and other financing sources over/(under) expenditures	190,573	549,678	359,105
Fund balances, beginning of year	3,954,839	3,954,839	
Fund balances at year end	<u>\$ 4,145,412</u>	<u>\$ 4,504,517</u>	<u>\$ 359,105</u>

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Non-Major Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - 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 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 Galveston, 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 Galveston, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

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

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
September 30, 2009

Exhibit C-1

	Business-type Activities - Enterprise Funds			
	Sanitation	Drainage	Airport	Total
Assets				
Current Assets:				
Cash and temporary investments	\$ 1,107,420	\$ 1,549,342	\$ 334,652	\$ 2,991,414
Accounts receivable, net of allowance for doubtful accounts	1,943,289	691,614	94,568	2,729,471
Due from other funds	255,052	226,450	1,616,196	2,097,698
Prepaid expenses	6,071	4,047	12,487	22,605
Restricted assets:				
Cash and investments	152,620	1,030,285		1,182,905
Total current assets	3,464,452	3,501,738	2,057,903	9,024,093
Non-current Assets:				
Deferred charges	8,226			8,226
Capital assets not being depreciated		1,488,367	1,403,281	2,891,648
Capital assets (net of depreciation)	2,304,675	2,494,279	8,692,087	13,491,041
Total non-current assets	2,312,901	3,982,646	10,095,368	16,390,915
Total Assets	5,777,353	7,484,384	12,153,271	25,415,008
Liabilities				
Current Liabilities:				
Accounts payable and accrued expenses	186,497	50,560	18,838	255,895
Accrued interest payable	4,863			4,863
Due to other governments	223,612		90	223,702
Unearned revenue	11,425		60,892	72,317
Long-term debt, current portion				
Compensated absences	11,850	8,407		20,257
Capital lease obligation	243,108		28,910	272,018
Bonds and certificates of obligation payable	105,000			105,000
Total current liabilities	786,355	58,967	108,730	954,052
Non-current Liabilities:				
Long-term debt, noncurrent portion:				
Compensated absences	215,575	146,773	64,744	427,092
Capital lease obligation	649,020			649,020
Bonds and certificates of obligation payable	330,000			330,000
Total non-current liabilities	1,194,595	146,773	64,744	1,406,112
Total Liabilities	1,980,950	205,740	173,474	2,360,164
Net Assets				
Invested in capital assets, net of related debt	1,018,802	5,012,931	10,066,458	16,098,191
Restricted for debt service	114,728			114,728
Unrestricted	2,662,873	2,265,713	1,913,339	6,841,925
Total Net Assets	\$ 3,796,403	\$ 7,278,644	\$ 11,979,797	\$ 23,054,844

CITY OF GALVESTON, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NON-MAJOR ENTERPRISE FUNDS

For the Year Ended September 30, 2009

	Enterprise Funds			Total
	Sanitation	Drainage	Airport	
Operating Revenues				
Charges for services	\$ 3,888,156	\$ 2,417,613	\$ 783,496	\$ 7,089,265
Miscellaneous	1,264	10,309	6,725	18,298
Total Operating Revenues	<u>3,889,420</u>	<u>2,427,922</u>	<u>790,221</u>	<u>7,107,563</u>
Operating Expenses				
Personnel services	1,721,729	1,069,469	351,958	3,143,156
Contractual services	1,398,018	244,334	73,334	1,715,686
Supplies and materials	36,645	37,387	54,331	128,363
Other expenses	141,117	95,473	98,116	334,706
Administrative charge	184,641	41,545	47,318	273,504
Depreciation	276,592	126,257	454,058	856,907
Total Operating Expenses	<u>3,758,742</u>	<u>1,614,465</u>	<u>1,079,115</u>	<u>6,452,322</u>
Operating income (loss)	<u>130,678</u>	<u>813,457</u>	<u>(288,894)</u>	<u>655,241</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	16,206	27,815	4,136	48,157
Gain (loss) on disposal of capital assets	(5,528)			(5,528)
Interest expense	(56,753)	(569)	(5,357)	(62,679)
Amortization of bond issuance costs	(2,244)			(2,244)
Total Non-Operating Revenues (Expenses)	<u>(48,319)</u>	<u>27,246</u>	<u>(1,221)</u>	<u>(22,294)</u>
Income (loss) before contributions and transfers	82,359	840,703	(290,115)	632,947
Capital contributions	5,189	38,970	341,283	385,442
Transfers in	33,674	14,923		48,597
Transfers out	(200,000)	(6,510)		(206,510)
Extraordinary item - insurance proceeds related to Hurricane Ike	255,052	226,450	1,616,196	2,097,698
Change in net assets	176,274	1,114,536	1,667,364	2,958,174
Total net assets - beginning	<u>3,620,129</u>	<u>6,164,108</u>	<u>10,312,433</u>	<u>20,096,670</u>
Total net assets - ending	<u><u>\$ 3,796,403</u></u>	<u><u>\$ 7,278,644</u></u>	<u><u>\$ 11,979,797</u></u>	<u><u>\$ 23,054,844</u></u>

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2009

Exhibit C-3
Page 1 of 2

	Sanitation Services	Drainage Utility	Airport	Totals
Cash flows from operating activities				
Cash received from customers	\$ 3,904,868	\$ 2,473,121	\$ 796,394	\$ 7,174,383
Cash payments to suppliers for goods and services	(1,578,172)	(415,131)	(234,512)	(2,227,815)
Cash payments to employees	(1,677,342)	(1,039,127)	(344,613)	(3,061,082)
Administrative service charge	(184,641)	(41,545)	(47,318)	(273,504)
Net cash provided (used) by operating activities	<u>464,713</u>	<u>977,318</u>	<u>169,951</u>	<u>1,611,982</u>
Cash flows from noncapital and related financing activities:				
Interfund transfers in	33,674	14,923		48,597
Interfund transfers out	(200,000)	(6,510)		(206,510)
Net cash provided (used) by noncapital and related financing activities	<u>(166,326)</u>	<u>8,413</u>		<u>(157,913)</u>
Cash flows from capital and related financing activities				
Payments for capital acquisitions (net of sales)	(32,614)	(539,199)	(188,672)	(760,485)
Principal paid on bonds	(100,000)			(100,000)
Interest paid on bonds	(17,440)			(17,440)
Principal paid on capital leases	(234,196)	(56,519)	(65,981)	(356,696)
Interest paid on capital leases	(40,263)	(569)	(5,357)	(46,189)
Net cash provided (used) by capital and related financing activities	<u>(424,513)</u>	<u>(596,287)</u>	<u>(260,010)</u>	<u>(1,280,810)</u>
Cash flows from investing activities				
Interest on investments	16,206	27,815	4,136	48,157
Net increase (decrease) in equity in pooled cash and investments	(109,920)	417,259	(85,923)	221,416
Cash and temporary investments, beginning of year	<u>1,369,960</u>	<u>2,162,368</u>	<u>420,575</u>	<u>3,952,903</u>
Cash and temporary investments, end of year	<u>\$ 1,260,040</u>	<u>\$ 2,579,627</u>	<u>\$ 334,652</u>	<u>\$ 4,174,319</u>
Cash and temporary investments per balance sheet				
Unrestricted	\$ 1,107,420	\$ 1,549,342	\$ 334,652	\$ 2,991,414
Restricted	152,620	1,030,285		1,182,905
Cash and temporary investments, end of year	<u>\$ 1,260,040</u>	<u>\$ 2,579,627</u>	<u>\$ 334,652</u>	<u>\$ 4,174,319</u>

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS (continued)
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2009

Exhibit C-3
Page 2 of 2

	<u>Sanitation Services</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 130,678	\$ 813,457	\$ (288,894)	\$ 655,241
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization and depreciation expense	276,592	126,257	454,058	856,907
(Increase) decrease in accounts receivable	10,825	45,203	1,550	57,578
(Increase) decrease in inventory and prepaid	(4,204)	(2,803)		(7,007)
Increase (decrease) in salaries and benefits payable	3,690	7,382	1,602	12,674
Increase (decrease) in accounts payable	1,810	(35,138)	(8,729)	(42,057)
Increase (decrease) in deferred revenue	4,625		4,623	9,248
Increase (decrease) in compensated absences payable	40,697	22,960	5,741	69,398
Total adjustments	<u>334,035</u>	<u>163,861</u>	<u>458,845</u>	<u>956,741</u>
Net cash provided (used) by operating activities	<u>\$ 464,713</u>	<u>\$ 977,318</u>	<u>\$ 169,951</u>	<u>\$ 1,611,982</u>
Noncash investing, capital, and financing activities				
Contributed capital	\$ 5,189	\$ 38,970	\$ 341,283	\$ 385,442
Proceeds from insurance	255,052	226,450	1,616,196	2,097,698
Loss on disposal of assets	(6,588)			(6,588)
Net non cash transactions	<u>\$ 253,653</u>	<u>\$ 265,420</u>	<u>\$ 1,957,479</u>	<u>\$ 2,476,552</u>

CITY OF GALVESTON, TEXAS
WATERWORKS SYSTEM ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Reconciling Items</u>
Operating Revenues				
Charges for sales and services, net:				
Water sales	\$ 16,734,860	\$ 16,734,860	\$ 13,942,727	\$
Tap fees	302,500	302,500	224,846	
Other	8,000	8,000	24,428	464,391
Total Operating Revenues	<u>17,045,360</u>	<u>17,045,360</u>	<u>14,192,001</u>	<u>464,391</u>
Operating Expenses				
Personnel services	1,459,582	1,461,582	1,299,197	
Materials and supplies	1,113,679	1,019,484	817,946	
Contractual services	957,748	875,657	608,585	
Other charges	305,800	332,108	332,060	
Administrative service charge	580,482	580,482	580,482	
Surface water contract	7,378,134	7,394,939	5,429,512	1,889,871
Depreciation			3,060,510	(3,060,510)
Total Operating Expenses	<u>11,795,425</u>	<u>11,664,252</u>	<u>12,128,292</u>	<u>(1,170,639)</u>
Operating income (loss)	<u>5,249,935</u>	<u>5,381,108</u>	<u>2,063,709</u>	<u>1,635,030</u>
Non-Operating Revenues (Expenses)				
Interest earned	98,500	98,500	670,344	(612,464)
Interest expense	(2,166,065)	(2,287,118)	(827,856)	(464,391)
Principal expenditure	(1,785,260)	(1,785,260)		(1,369,809)
Capital outlay		(7,881)		(5,590)
Gain (loss) on retirement of capital asset	2,000	2,000	(15,781)	
Amortization of bond issuance costs	(138,825)	(141,064)	(116,403)	
Total Non-Operating Revenues (Expenses)	<u>(3,989,650)</u>	<u>(4,120,823)</u>	<u>(289,696)</u>	<u>(2,452,254)</u>
Income (loss) before operating transfers and capital contributions	1,260,285	1,260,285	1,774,013	(817,224)
Capital contributions			310,989	(310,989)
Operating transfer in (out)	(1,400,000)	(1,400,000)	(202,048)	
Extraordinary item - insurance proceeds related to Hurricane Ike			353,565	(353,565)
Change in net assets	(139,715)	(139,715)	2,236,519	(1,481,778)
Net assets, beginning of year	<u>30,599,423</u>	<u>30,599,423</u>	<u>30,599,423</u>	
Net assets, end of year	<u>\$ 30,459,708</u>	<u>\$ 30,459,708</u>	<u>\$ 32,835,942</u>	<u>\$ (1,481,778)</u>

Exhibit C-4

<u>Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 13,942,727	\$ (2,792,133)
224,846	(77,654)
488,819	480,819
<u>14,656,392</u>	<u>(2,388,968)</u>
1,299,197	162,385
817,946	201,538
608,585	267,072
332,060	48
580,482	
7,319,383	75,556
<u>10,957,653</u>	<u>706,599</u>
<u>3,698,739</u>	<u>(1,682,369)</u>
57,880	(40,620)
(1,292,247)	994,871
(1,369,809)	415,451
(5,590)	2,291
(15,781)	(17,781)
(116,403)	24,661
<u>(2,741,950)</u>	<u>1,378,873</u>
956,789	(303,496)
(202,048)	1,197,952
<u>754,741</u>	<u>894,456</u>
<u>30,599,424</u>	
<u>\$ 31,354,165</u>	<u>\$ 894,456</u>

CITY OF GALVESTON, TEXAS
SEWER SYSTEM ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Reconciling Items</u>
Operating Revenues				
Charges for sales and services, net:				
Sewer charges	\$ 12,930,000	\$ 12,930,000	\$ 10,984,163	\$ (527,291)
Tap fees	95,000	95,000	57,637	(6,350)
Waste hauler fees	125,000	125,000	39,845	
Other	5,000	5,000	6,554	
Total Operating Revenues	<u>13,155,000</u>	<u>13,155,000</u>	<u>11,088,199</u>	<u>(533,641)</u>
Operating Expenses				
Personnel services	3,215,182	3,239,882	2,450,648	
Materials and supplies	1,748,756	1,503,447	915,390	(1,491)
Contractual services	1,493,594	1,569,885	1,655,498	(531,216)
Other charges	395,929	414,042	415,377	(1,335)
Administrative service charge	354,283	354,283	354,283	
Depreciation			2,538,589	(2,538,589)
Total Operating Expenses	<u>7,207,744</u>	<u>7,081,539</u>	<u>8,329,785</u>	<u>(3,072,631)</u>
Operating income (loss)	<u>5,947,256</u>	<u>6,073,461</u>	<u>2,758,414</u>	<u>2,538,990</u>
Non-Operating Revenues (Expenses)				
Interest earned	165,100	165,100	158,026	(101,166)
Interest expense	(1,980,662)	(2,070,066)	(1,572,630)	
Principal expenditure	(2,151,564)	(2,151,564)		(1,943,837)
Capital outlay		(75,181)		(24,490)
Gain (loss) on retirement of capital asset	100	100	7,666	
Amortization of bond issuance costs	(51,000)	(52,620)	(52,118)	(500)
Total Non-Operating Revenues (Expenses)	<u>(4,018,026)</u>	<u>(4,184,231)</u>	<u>(1,459,056)</u>	<u>(2,069,993)</u>
Income (loss) before operating transfers and capital contributions	1,929,230	1,889,230	1,299,358	468,997
Capital contributions			1,556,366	(1,556,366)
Operating transfer in (out)	(1,875,000)	(1,875,000)	(202,175)	
Extraordinary item - insurance proceeds related to Hurricane Ike		40,000	1,097,907	(1,057,907)
Change in net assets	54,230	54,230	3,751,456	(2,145,276)
Net assets, beginning of year	<u>36,327,280</u>	<u>36,327,280</u>	<u>36,327,280</u>	
Net assets, end of year	<u>\$ 36,381,510</u>	<u>\$ 36,381,510</u>	<u>\$ 40,078,736</u>	<u>\$(2,145,276)</u>

Exhibit C-5

<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 10,456,872	\$ (2,473,128)
51,287	(43,713)
39,845	(85,155)
6,554	1,554
10,554,558	(2,600,442)
2,450,648	789,234
913,899	589,548
1,124,282	445,603
414,042	
354,283	
5,257,154	1,824,385
5,297,404	(776,057)
56,860	(108,240)
(1,572,630)	497,436
(1,943,837)	207,727
(24,490)	50,691
7,666	7,566
(52,618)	2
(3,529,049)	655,182
1,768,355	(120,875)
(202,175)	1,672,825
40,000	
1,606,180	1,551,950
49,545,321	
\$ 51,151,501	\$ 1,551,950

CITY OF GALVESTON, TEXAS
SANITATION SERVICES ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Reconciling Items</u>
Operating Revenues				
Charges for sales and services, net	\$ 4,482,000	\$ 4,482,000	\$ 3,888,156	\$
Other	412,897	412,897	1,264	
Total Operating Revenues	<u>4,894,897</u>	<u>4,894,897</u>	<u>3,889,420</u>	
Operating Expenses				
Personnel services	2,068,387	1,967,237	1,721,729	
Materials and supplies	74,549	53,278	36,645	
Contractual services	1,279,390	1,398,378	1,398,018	
Other charges	137,774	141,207	141,117	
Administrative service charge	184,641	184,641	184,641	
Depreciation			276,592	(276,592)
Total Operating Expenses	<u>3,744,741</u>	<u>3,744,741</u>	<u>3,758,742</u>	<u>(276,592)</u>
Operating income (loss)	1,150,156	1,150,156	130,678	276,592
Non-Operating Revenues (Expenses)				
Interest earned	44,000	44,000	16,206	(251)
Interest expense	(57,716)	(57,716)	(56,753)	
Principal expenditure	(334,196)	(334,196)		(334,196)
Capital outlay - improvements	(600,000)	(600,000)		(75,795)
Gain (loss) on retirement of capital asset			(5,528)	
Amortization of bond issuance costs	(2,244)	(2,244)	(2,244)	
Total Non-Operating Revenues (Expenses)	<u>(950,156)</u>	<u>(950,156)</u>	<u>(48,319)</u>	<u>(410,242)</u>
Income (loss) before operating transfers	200,000	200,000	82,359	(133,650)
Capital contributions			5,189	(5,189)
Operating transfer in (out)	(200,000)	(200,000)	(166,326)	(33,674)
Extraordinary item - insurance proceeds related to Hurricane Ike			255,052	(255,052)
Changes in net assets			176,274	(427,565)
Net assets, beginning of year	<u>3,143,480</u>	<u>3,143,480</u>	<u>3,620,129</u>	
Net assets, end of year	<u>\$ 3,143,480</u>	<u>\$ 3,143,480</u>	<u>\$ 3,796,403</u>	<u>\$ (427,565)</u>

Exhibit C-6

<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 3,888,156	\$ (593,844)
1,264	(411,633)
<u>3,889,420</u>	<u>(1,005,477)</u>
1,721,729	245,508
36,645	16,633
1,398,018	360
141,117	90
184,641	
<u>3,482,150</u>	<u>262,591</u>
407,270	(742,886)
15,955	(28,045)
(56,753)	963
(334,196)	
(75,795)	524,205
(5,528)	(5,528)
(2,244)	
<u>(458,561)</u>	<u>491,595</u>
(51,291)	(251,291)
(200,000)	
<u>(251,291)</u>	<u>(251,291)</u>
3,620,129	(476,649)
<u>\$ 3,368,838</u>	<u>\$ (727,940)</u>

CITY OF GALVESTON, TEXAS
DRAINAGE UTILITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Reconciling Items</u>
Operating Revenues				
Charges for sales and services, net	\$ 2,767,000	\$ 2,767,000	\$ 2,417,613	\$
Other	62,000	62,000	10,309	
Total Operating Revenues	<u>2,829,000</u>	<u>2,829,000</u>	<u>2,427,922</u>	
Operating Expenses				
Personnel services	1,293,248	1,293,781	1,069,469	
Materials and supplies	86,722	85,396	37,387	
Contractual services	358,983	331,686	244,334	
Other charges	111,264	95,473	95,473	
Administrative service charge	41,545	41,545	41,545	
Depreciation			126,257	(126,257)
Total Operating Expenses	<u>1,891,762</u>	<u>1,847,881</u>	<u>1,614,465</u>	<u>(126,257)</u>
Operating income (loss)	937,238	981,119	813,457	126,257
Non-Operating Revenues (Expenses)				
Interest earned	18,000	18,000	27,815	(16,357)
Interest expense	(569)	(569)	(569)	
Principal expenditure	(18,461)	(55,832)		(55,832)
Capital outlay - vehicles, etc.	(150,000)	(150,000)		(132,399)
Gain (loss) on retirement of capital asset		(5,050)		
Total Non-Operating Revenues (Expenses)	<u>(151,030)</u>	<u>(193,451)</u>	<u>27,246</u>	<u>(204,588)</u>
Income (loss) before capital contributions	786,208	787,668	840,703	(78,331)
Capital contributions			38,970	(38,970)
Operating transfer in (out)	(1,000,000)	(1,006,510)	8,413	(14,923)
Extraordinary item - insurance proceeds related to Hurricane Ike			226,450	(226,450)
Changes in net assets	(213,792)	(218,842)	1,114,536	(358,674)
Net assets, beginning of year	<u>4,510,991</u>	<u>4,510,991</u>	<u>6,164,108</u>	
Net assets, end of year	<u>\$ 4,297,199</u>	<u>\$ 4,292,149</u>	<u>\$ 7,278,644</u>	<u>\$ (358,674)</u>

Exhibit C-7

Actual (Budgetary Basis) Amounts	Variance with Final Budget - Positive (Negative)
\$ 2,417,613	\$ (349,387)
10,309	(51,691)
2,427,922	(401,078)
1,069,469	224,312
37,387	48,009
244,334	87,352
95,473	
41,545	
1,488,208	359,673
939,714	(41,405)
11,458	(6,542)
(569)	
(55,832)	
(132,399)	17,601
	5,050
(177,342)	16,109
762,372	(25,296)
(6,510)	1,000,000
755,862	974,704
6,164,108	(1,653,117)
\$ 6,919,970	\$ (678,413)

CITY OF GALVESTON, TEXAS
AIRPORT ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP) Basis</u>	<u>Reconciling Items</u>
Operating Revenues				
Charges for sales and services:				
Building rental	\$ 102,368	\$ 102,368	\$ 54,442	\$
Hangar rental	74,970	74,970	9,848	
Terminal space rental	59,960	59,960	8,028	
Land lease rental	735,964	735,964	673,455	
Oil company receipts	75,000	75,000	37,703	
Other	1,000	1,000	6,745	
Total Operating Revenues	<u>1,049,262</u>	<u>1,049,262</u>	<u>790,221</u>	
Operating Expenses				
Personnel services	386,725	386,725	351,958	
Materials and supplies	115,280	111,623	54,331	
Contractual services	86,544	89,101	73,334	
Other charges & bad debt expense	127,763	127,656	98,116	
Administrative service charge	47,318	47,318	47,318	
Depreciation			454,058	(454,058)
Total Operating Expenses	<u>763,630</u>	<u>762,423</u>	<u>1,079,115</u>	<u>(454,058)</u>
Operating income (loss)	<u>285,632</u>	<u>286,839</u>	<u>(288,894)</u>	<u>454,058</u>
Non-Operating Revenues (Expenses)				
Interest earned	10,000	10,000	4,136	
Interest expense	(4,651)	(5,358)	(5,357)	
Capital outlay - improvements	(225,000)	(225,000)		(188,672)
Principal expenditure	(65,981)	(66,481)		(65,981)
Total Non-Operating Revenues (Expenses)	<u>(285,632)</u>	<u>(286,839)</u>	<u>(1,221)</u>	<u>(254,653)</u>
Income (loss) before capital contributions			(290,115)	199,405
Capital contributions			341,283	(341,283)
Extraordinary item - insurance proceeds related to hurricane Ike			1,616,196	(1,616,196)
Changes in net assets			1,667,364	(1,758,074)
Net assets, beginning of year	<u>8,484,370</u>	<u>8,484,370</u>	<u>10,312,433</u>	<u>356,278</u>
Net assets, end of year	<u>\$ 8,484,370</u>	<u>\$ 8,484,370</u>	<u>\$ 11,979,797</u>	<u>\$ (1,401,796)</u>

Exhibit C-8

<u>Actual (Budgetary Basis) Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 54,442	\$ (47,926)
9,848	(65,122)
8,028	(51,932)
673,455	(62,509)
37,703	(37,297)
6,745	5,745
<u>790,221</u>	<u>(259,041)</u>
351,958	34,767
54,331	57,292
73,334	15,767
98,116	29,540
47,318	
<u>625,057</u>	<u>137,366</u>
<u>165,164</u>	<u>(121,675)</u>
4,136	(5,864)
(5,357)	1
(188,672)	36,328
(65,981)	500
<u>(255,874)</u>	<u>30,965</u>
(90,710)	(90,710)
<u>(90,710)</u>	<u>(90,710)</u>
10,668,711	(2,184,341)
<u>\$ 10,578,001</u>	<u>\$ (2,275,051)</u>

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Internal Service Funds

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

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

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

Central Services - to account for the financing of providing mailing, printing and data processing services to user departments.

Construction Management - to account for the financing of construction project oversight.

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

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

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2009

	<u>Central Garage</u>	<u>Casualty & Liability Insurance</u>	<u>Central Service</u>
Assets			
Current Assets:			
Cash and temporary investments	\$ 137,724	\$ 61,872	\$ 548,178
Accounts receivable, net of allowance for doubtful accounts	186,945		109,304
Due from other funds	184,495		
Inventories	186,148		2,840
Prepaid expenses		334,598	
Restricted assets:			
Cash and investments			3,713,782
Total current assets	<u>695,312</u>	<u>396,470</u>	<u>4,374,104</u>
Non-current Assets:			
Deferred charges			45,068
Capital assets (net of depreciation)	175,837		2,753,861
Total non-current assets	<u>175,837</u>		<u>2,798,929</u>
Total assets	<u>871,149</u>	<u>396,470</u>	<u>7,173,033</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	125,357	50,870	223,749
Accrued interest payable			70,326
Long-term debt, current portion:			
Notes payable			82,217
Bonds and certificates of obligation payable			81,900
Total current liabilities	<u>125,357</u>	<u>50,870</u>	<u>458,192</u>
Non-current Liabilities:			
Long-term debt, noncurrent portion			
Compensated absences	126,642	31,521	156,249
Claims and judgments			
Contracts payable			
Notes payable			1,301,332
Bonds and certificates of obligation payable			3,346,824
Total non-current liabilities	<u>126,642</u>	<u>31,521</u>	<u>4,804,405</u>
Total liabilities	<u>251,999</u>	<u>82,391</u>	<u>5,262,597</u>
Net Assets			
Invested in capital assets, net of related debt	175,837		1,398,805
Restricted for debt service			186,239
Unrestricted	443,313	314,079	325,392
Total net assets	<u>\$ 619,150</u>	<u>\$ 314,079</u>	<u>\$ 1,910,436</u>

Exhibit D-1

<u>Construction Management</u>	<u>Workers Compensation Insurance</u>	<u>Health and Life Insurance</u>	<u>Total</u>
\$ 56,620	\$ 767,422	\$ 205,563	\$ 1,777,379
		55,811	352,060
			184,495
			188,988
			334,598
			3,713,782
<u>56,620</u>	<u>767,422</u>	<u>261,374</u>	<u>6,551,302</u>
			45,068
			2,929,698
			2,974,766
<u>56,620</u>	<u>767,422</u>	<u>261,374</u>	<u>9,526,068</u>
1,253	2,500	208,695	612,424
			70,326
			82,217
			81,900
<u>1,253</u>	<u>2,500</u>	<u>208,695</u>	<u>846,867</u>
52,195			366,607
	1,452,712	550,342	2,003,054
		300,112	300,112
			1,301,332
			3,346,824
<u>52,195</u>	<u>1,452,712</u>	<u>850,454</u>	<u>7,317,929</u>
<u>53,448</u>	<u>1,455,212</u>	<u>1,059,149</u>	<u>8,164,796</u>
			1,574,642
			186,239
3,172	(687,790)	(797,775)	(399,609)
<u>\$ 3,172</u>	<u>\$ (687,790)</u>	<u>\$ (797,775)</u>	<u>\$ 1,361,272</u>

CITY OF GALVESTON, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2009

	Central Garage	Casualty & Liability Insurance	Central Service
Operating Revenues			
Charges for services	\$ 3,682,270	\$ 1,671,294	\$ 2,194,984
Miscellaneous	42,019		
Total Operating Revenues	<u>3,724,289</u>	<u>1,671,294</u>	<u>2,194,984</u>
Operating Expenses			
Personnel services	952,556	205,739	665,823
Contractual services	384,546	13,515	532,312
Supplies and materials	1,947,896	283	327,019
Insurance claims and premiums		1,139,183	
Other expenses	313,527		72,256
Depreciation	26,734		129,814
Total Operating Expenses	<u>3,625,259</u>	<u>1,358,720</u>	<u>1,727,224</u>
Operating income (loss)	<u>99,030</u>	<u>312,574</u>	<u>467,760</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	2,115	50	30,387
Gain (loss) on disposal of capital assets	6,026		
Interest expense			(254,434)
Amortization of bond issuance costs			(2,723)
Total Non-Operating Revenues (Expenses)	<u>8,141</u>	<u>50</u>	<u>(226,770)</u>
Income (loss) before contributions and transfers	107,171	312,624	240,990
Capital contributions	92,115		143,432
Transfers out	(54,310)		
Insurance proceeds related to Hurricane Ike	184,495		139,494
Change in net assets	329,471	312,624	523,916
Total net assets - beginning	<u>289,679</u>	<u>1,455</u>	<u>1,386,520</u>
Total net assets - ending	<u>\$ 619,150</u>	<u>\$ 314,079</u>	<u>\$ 1,910,436</u>

Exhibit D-2

<u>Construction Management</u>	<u>Workers Compensation Insurance</u>	<u>Health and Life Insurance</u>	<u>Total</u>
\$ 120,954	\$ 696,250	\$ 3,767,774	\$ 12,133,526
			42,019
<u>120,954</u>	<u>696,250</u>	<u>3,767,774</u>	<u>12,175,545</u>
77,181			1,901,299
18,340	87,395	830,561	1,866,669
2,716			2,277,914
	1,275,667	4,790,487	7,205,337
22,895	7,174	285,045	700,897
			156,548
<u>121,132</u>	<u>1,370,236</u>	<u>5,906,093</u>	<u>14,108,664</u>
<u>(178)</u>	<u>(673,986)</u>	<u>(2,138,319)</u>	<u>(1,933,119)</u>
178	6,731	19,290	58,751
			6,026
			(254,434)
			(2,723)
<u>178</u>	<u>6,731</u>	<u>19,290</u>	<u>(192,380)</u>
	(667,255)	(2,119,029)	(2,125,499)
			235,547
			(54,310)
			323,989
	(667,255)	(2,119,029)	(1,620,273)
3,172	(20,535)	1,321,254	2,981,545
<u>\$ 3,172</u>	<u>\$ (687,790)</u>	<u>\$ (797,775)</u>	<u>\$ 1,361,272</u>

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2009

	<u>Central Garage</u>	<u>Casualty & Liability Insurance</u>	<u>Central Service</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 3,714,519	\$ 1,671,294	\$ 2,197,990
Disbursed for personnel services	(977,289)	(186,542)	(632,858)
Disbursed for goods and services	(2,742,037)	(1,422,930)	(906,851)
Net cash provided (used) by operating activities	<u>(4,807)</u>	<u>61,822</u>	<u>658,281</u>
Cash Flows from Non-Capital Financing Activities			
Interfund transfers out	(54,310)		
Net cash provided (used) by noncapital financing activities	<u>(54,310)</u>		
Cash Flows from Capital and Related Financing Activities			
Payments for capital acquisitions (net of sales)	6,024		(216,815)
Proceeds from insurance			30,190
Principal payments on debt			(211,210)
Interest payments on capital leases			(254,434)
Interest payments on revenue bonds			70,326
Net cash used by capital and related financing activities	<u>6,024</u>		<u>(581,943)</u>
Cash Flows from Investing Activities			
Interest received	2,115	50	30,387
Net cash provided (used) by investing activities	<u>2,115</u>	<u>50</u>	<u>30,387</u>
Net increase (decrease) in cash and equivalents	(50,978)	61,872	106,725
Cash and equivalents, beginning of year	188,702		4,155,235
Cash and equivalents, at end of year	<u>\$ 137,724</u>	<u>\$ 61,872</u>	<u>\$ 4,261,960</u>
Unrestricted cash and equivalents	\$ 137,724	\$ 61,872	\$ 548,178
Restricted cash and equivalents			3,713,782
	<u>\$ 137,724</u>	<u>\$ 61,872</u>	<u>\$ 4,261,960</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 99,030	\$ 312,574	\$ 467,760
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	26,734		129,814
(Increase) decrease in accounts receivable	(9,770)		3,006
(Increase) decrease in inventory	(3,791)		(2,840)
(Increase) decrease in prepaid expenses		(54,994)	
Increase (decrease) in accounts payable	(92,277)	(214,955)	27,576
Increase (decrease) in salaries payable	1,173	1,490	7,979
Increase (decrease) in compensated absences payable	(25,906)	17,707	24,986
Net cash provided (used) by operating activities	<u>\$ (4,807)</u>	<u>\$ 61,822</u>	<u>\$ 658,281</u>
Noncash investing, capital, and financing activities			
Contributed capital	\$ 92,119	\$	\$ 143,432
Proceeds from insurance	184,495		109,304
Accrual for other post employment benefits			
Net non cash transactions	<u>\$ 276,614</u>	<u>\$</u>	<u>\$ 252,736</u>

Exhibit D-3

Construction Management	Workers Compensation Insurance	Health and Life Insurance	Total
\$ 120,955	\$ 696,251	\$ 4,140,624	\$ 12,541,633
(56,138)			(1,852,827)
(44,268)	(441,181)	(5,590,645)	(11,147,912)
<u>20,549</u>	<u>255,070</u>	<u>(1,450,021)</u>	<u>(459,106)</u>
			(54,310)
			(54,310)
			(210,791)
			30,190
			(211,210)
			(254,434)
			70,326
			(575,919)
178	6,731	19,290	58,751
<u>178</u>	<u>6,731</u>	<u>19,290</u>	<u>58,751</u>
20,727	261,801	(1,430,731)	(1,030,584)
35,893	505,621	1,636,294	6,521,745
<u>\$ 56,620</u>	<u>\$ 767,422</u>	<u>\$ 205,563</u>	<u>\$ 5,491,161</u>
\$ 56,620	\$ 767,422	\$ 205,563	\$ 1,777,379
			3,713,782
<u>\$ 56,620</u>	<u>\$ 767,422</u>	<u>\$ 205,563</u>	<u>\$ 5,491,161</u>
\$ (178)	\$ (673,986)	\$ (2,138,319)	\$ (1,933,119)
			156,548
		372,850	366,086
			(6,631)
	67,808		12,814
(316)	861,248	315,448	896,724
97			10,739
20,946			37,733
<u>\$ 20,549</u>	<u>\$ 255,070</u>	<u>\$ (1,450,021)</u>	<u>\$ (459,106)</u>
\$	\$	\$	\$ 235,551
			293,799
		300,112	300,112
<u>\$</u>	<u>\$</u>	<u>\$ 300,112</u>	<u>\$ 829,462</u>

Fiduciary Funds

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

Pension Trust - to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. These funds are reported on a calendar year basis for the year ended December 31, 2008.

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

CITY OF GALVESTON, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

Exhibit E-1

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Assets				
Cash and cash equivalents	\$ 1,282,745	\$ 2,090,975	\$ 3,133,224	\$ 6,506,944
Receivables:				
Interest and dividends	95,289	24,778	36,367	156,434
Loans to participants	189,758			189,758
Total receivables	285,047	24,778	36,367	346,192
Investments:				
U.S. Government agencies	3,517,569			3,517,569
Common stocks	6,120,246	11,773,992	10,534,066	28,428,304
Mutual funds (Equity funds)	3,476,826	1,967,944	4,154,668	9,599,438
Corporate and foreign bonds	4,363,147	12,561,210		16,924,357
Fixed income funds			9,478,591	9,478,591
Total investments	17,477,788	26,303,146	24,167,325	67,948,259
Prepaid benefits	255,437			255,437
Total assets	19,301,017	28,418,899	27,336,916	75,056,832
Liabilities				
Accounts payable	24,175	53,484	42,473	120,132
Net Assets				
Held in trust for benefits and other purposes	\$ 19,276,842	\$ 28,365,415	\$ 27,294,443	\$ 74,936,700

CITY OF GALVESTON, TEXAS

Exhibit E-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Year Ended December 31, 2008

	City of Galveston Employee's Retirement Plan for Police	City of Galveston Employee's Retirement Plan for Employees	Galveston Firefighters' Pension Fund	Total
Additions				
Contributions:				
Employer	\$ 1,234,565	\$ 1,261,150	\$ 964,703	\$ 3,460,418
Plan members	1,403,104	1,126,800	817,133	3,347,037
Total contributions	2,637,669	2,387,950	1,781,836	6,807,455
Investment earnings:				
Net increase in fair value of investments	(6,351,519)	(8,940,434)	(10,485,936)	(25,777,889)
Interest	473,415	3,777		477,192
Dividends	260,546	1,221,676	954,883	2,437,105
Investment activity expense	(254,707)	(269,795)	(192,583)	(717,085)
Total net investment earnings	(5,872,265)	(7,984,776)	(9,723,636)	(23,580,677)
Other income		40,478	21,171	61,649
Total additions	(3,234,596)	(5,556,348)	(7,920,629)	(16,711,573)
Deductions				
Benefits	3,011,988	3,124,453	1,878,346	8,014,787
Administrative	168,091	86,054	90,466	344,611
Total deductions	3,180,079	3,210,507	1,968,812	8,359,398
Change in net assets	(6,414,675)	(8,766,855)	(9,889,441)	(25,070,971)
Net assets - beginning, as restated	25,691,517	37,132,270	37,183,884	100,007,671
Net assets - ending	\$ 19,276,842	\$ 28,365,415	\$ 27,294,443	\$ 74,936,700

CITY OF GALVESTON, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended September 30, 2009

Exhibit E-3

	<u>September 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2009</u>
Assets				
Cash and temporary investments	\$ 571,016	\$ 304,323	\$	\$ 875,339
Total assets	<u>\$ 571,016</u>	<u>\$ 304,323</u>	<u>\$</u>	<u>\$ 875,339</u>
Liabilities				
Accounts payable and other current liabilities	\$ 3,534	\$	\$	\$ 3,534
Refunds payable and others	567,482	304,323		871,805
Total liabilities	<u>\$ 571,016</u>	<u>\$ 304,323</u>	<u>\$</u>	<u>\$ 875,339</u>

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Statistical Section

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Unaudited Statistical Section

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

	<u>Page</u>
Financial Trends	144-151
These schedules contain trend information to help the reader understand how the City of Galveston's financial performance and well-being have changed over time.	
Revenue Capacity	152-159
These schedules contain information to help the reader assess the City of Galveston's most significant local revenue source, the property tax.	
Debt Capacity	160-163
These schedules present information to help the reader assess the affordability of the City of Galveston's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic and Economic Information	164-167
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Galveston's financial activities take place.	
Operating Information	168-171
These schedules contain service and infrastructure data to help the reader understand how the information in the City of Galveston's financial report relates to the services the city provides and the activities it performs.	

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

CITY OF GALVESTON, TEXAS**NET ASSETS BY COMPONENT (in thousands)***Last Seven Fiscal Years***(Accrual Basis of Accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 14,956	\$ 23,872	\$ 29,356
Restricted	4,943	4,921	4,894
Unrestricted	9,168	7,845	8,012
Total governmental activities net assets	<u>\$ 29,067</u>	<u>\$ 36,638</u>	<u>\$ 42,262</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 40,480	\$ 64,284	\$ 70,442
Restricted	20,835	6,367	3,301
Unrestricted	5,233	2,123	3,069
Total business-type activities net assets	<u>\$ 66,548</u>	<u>\$ 72,774</u>	<u>\$ 76,812</u>
Primary government			
Invested in capital assets, net of related debt	\$ 55,436	\$ 88,156	\$ 99,798
Restricted	25,778	11,288	8,195
Unrestricted	14,401	9,968	11,081
Total primary government net assets	<u>\$ 95,615</u>	<u>\$ 109,412</u>	<u>\$ 119,074</u>

*The City of Galveston, Texas implemented GASB Statement No. 34 in 2003, therefore only seven years of information is available.

Exhibit I

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 25,631	\$ 37,327	\$ 49,273	\$ 49,607
10,791	18,757	19,950	25,689
11,081	5,912	6,113	18,853
<u>\$ 47,503</u>	<u>\$ 61,996</u>	<u>\$ 75,336</u>	<u>\$ 94,149</u>
\$ 71,492	\$ 73,991	\$ 64,348	\$ 65,039
9,502	10,327	11,053	7,173
5,817	13,967	12,364	24,354
<u>\$ 86,811</u>	<u>\$ 98,285</u>	<u>\$ 87,765</u>	<u>\$ 96,566</u>
\$ 97,123	\$ 111,318	\$ 113,621	\$ 114,646
20,293	29,084	31,003	32,862
16,898	19,879	18,477	43,207
<u>\$ 134,314</u>	<u>\$ 160,281</u>	<u>\$ 163,101</u>	<u>\$ 190,715</u>

CITY OF GALVESTON, TEXAS

CHANGES IN NET ASSETS (in thousands)

*Last Seven Fiscal Years**

(Accrual Basis of Accounting)

Exhibit II

Page 1 of 2

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses							
Governmental activities:							
General government	\$ 3,961	\$ 3,626	\$ 4,662	\$ 4,924	\$ 5,166	\$ 5,307	\$ 5,742
Public safety	20,712	20,638	24,110	24,876	27,040	32,145	29,390
Public works	7,113	4,997	4,332	5,113	5,990	12,735	69,234
Culture and recreation	3,800	1,419	5,211	7,025	8,258	9,020	10,764
Planning and community dev.	4,203	4,225	2,375	4,202	4,483	4,936	4,237
Transportation system	6,052	6,580	4,032	4,269	5,552	4,548	5,120
Interest on long-term debt	3,236	3,208	2,866	3,649	3,096	2,839	2,757
Total governmental activities expenses	<u>49,077</u>	<u>44,693</u>	<u>47,588</u>	<u>54,058</u>	<u>59,585</u>	<u>71,530</u>	<u>127,245</u>
Business-type activities:							
Waterworks	9,654	10,012	10,956	11,850	12,999	13,350	13,060
Sewer system	7,445	7,249	7,921	9,229	11,536	10,806	9,900
Sanitation	2,988	3,077	3,376	3,541	3,781	3,808	3,907
Drainage	761	637	1,085	1,342	1,312	1,651	1,700
Airport	843	934	933	1,128	1,201	1,185	1,073
Golf course	1,130	1,092	1,010	1,028	333		
Total business-type activities expenses	<u>22,821</u>	<u>23,001</u>	<u>25,281</u>	<u>28,118</u>	<u>31,162</u>	<u>30,800</u>	<u>29,641</u>
Total primary government expenses	<u>\$ 71,898</u>	<u>\$ 67,694</u>	<u>\$ 72,869</u>	<u>\$ 82,176</u>	<u>\$ 90,747</u>	<u>\$ 102,330</u>	<u>\$ 156,886</u>
Program Revenue							
Governmental activities:							
Charges for services:							
General government	\$ 1,255	\$ 1,056	\$ 1,254	\$ 1,322	\$ 1,400	\$ 1,552	\$ 1,628
Public safety	2,548	3,034	2,451	2,739	3,133	3,338	2,595
Public works	44	39	26	20	21	37	30
Culture and recreation	5	83	40	6	407	166	8
Planning and community dev.	1,147	2,208	2,273	2,231	1,620	1,119	1,890
Transportation system	630	643	522	698	939	697	461
Operating grants and contributions:							
General government							489
Public safety	589	408	1,090	956	487	312	1,646
Public works							76,730
Culture and recreation	38	19	95	83	767	936	980
Planning and community dev.	2,984	2,086	1,559	2,199	2,021	2,244	1,653
Transportation system	2,684	2,485	2,295	2,396	2,455	3,136	3,034
Capital grants and contributions:							
General government							316
Public safety						5,086	
Public works						10,752	
Culture and recreation			116		9,557	8,656	2
Transportation system	1,928	3,426	2,440	1,575	1,735	1,501	448
Total governmental activities program revenues	<u>13,852</u>	<u>15,487</u>	<u>14,161</u>	<u>14,225</u>	<u>24,542</u>	<u>39,532</u>	<u>91,909</u>
Business-type activities:							
Charges for services:							
Waterworks	9,692	10,105	11,230	14,173	14,309	14,640	14,168
Sewer system	7,447	8,018	9,409	11,395	12,799	12,259	11,082
Sanitation	3,552	3,606	3,932	4,240	4,587	4,360	3,888
Drainage	749	780	1,816	2,710	2,800	2,691	2,418
Airport	832	853	875	937	1,071	960	783
Golf course	946	928	912	827	189		
Capital grants and contributions	1,362	5,482	1,178	2,680	6,065	1,925	2,253
Total business-type activities program revenues	<u>24,580</u>	<u>29,772</u>	<u>29,352</u>	<u>36,962</u>	<u>41,820</u>	<u>36,835</u>	<u>34,591</u>
Total primary government program revenues	<u>\$ 38,432</u>	<u>\$ 45,259</u>	<u>\$ 43,513</u>	<u>\$ 51,187</u>	<u>\$ 66,362</u>	<u>\$ 76,367</u>	<u>\$ 126,501</u>

CITY OF GALVESTON, TEXAS
CHANGES IN NET ASSETS (in thousands)
*Last Seven Fiscal Years**
(Accrual Basis of Accounting)

Exhibit II
Page 2 of 2

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue							
Governmental activities	\$ (35,225)	\$ (29,206)	\$ (33,427)	\$ (39,833)	\$ (35,043)	\$ (31,998)	\$ (35,336)
Business-type activities	<u>1,759</u>	<u>6,771</u>	<u>4,071</u>	<u>8,844</u>	<u>10,658</u>	<u>6,035</u>	<u>4,950</u>
Total primary government net expense	<u>\$ (33,466)</u>	<u>\$ (22,435)</u>	<u>\$ (29,356)</u>	<u>\$ (30,989)</u>	<u>\$ (24,385)</u>	<u>\$ (25,963)</u>	<u>\$ (30,385)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes, levied for general purposes	\$ 12,061	\$ 13,215	\$ 13,838	\$ 15,480	\$ 16,333	\$ 18,640	\$ 19,718
Sales and use taxes	13,340	13,689	14,425	16,850	17,498	17,747	18,588
Hotel occupancy taxes	4,980	2,966	3,418	4,122	4,619	4,958	3,742
Franchise taxes	4,824	4,841	4,880	5,149	5,375	5,450	4,807
Payments in lieu of taxes	1,155	568	596	655	737	126	120
Net loss on sale of asset		(72)					
Unrestricted investment earnings	733		753	1,650	2,439	1,483	219
Miscellaneous	1,196	420	641	669	844	224	418
Capital contributions		550					
Loss of assets due to Hurricane Ike						(2,022)	
Impairment of capital assets due to Hurricane Ike						(1,867)	1,112
Insurance proceeds							4,863
Transfers	(150)	600	500	500	1,690	600	562
Total governmental activities	<u>38,139</u>	<u>36,777</u>	<u>39,051</u>	<u>45,075</u>	<u>49,535</u>	<u>45,339</u>	<u>54,148</u>
Business-type activities:							
Net (loss) gain on sale of asset		(125)	20	(271)			
Unrestricted investment earnings	350	179	447	1,755	2,454	1,805	877
Miscellaneous	(57)	2		170	52	136	28
Impairment of capital assets due to Hurricane Ike						(17,897)	
Insurance proceeds							3,509
Transfers	150	(600)	(500)	(500)	(1,690)	(600)	(562)
Total business-type activities	<u>443</u>	<u>(544)</u>	<u>(33)</u>	<u>1,154</u>	<u>816</u>	<u>(16,556)</u>	<u>3,852</u>
Total primary government	<u>\$ 38,582</u>	<u>\$ 36,233</u>	<u>\$ 39,018</u>	<u>\$ 46,229</u>	<u>\$ 50,351</u>	<u>\$ 28,783</u>	<u>\$ 58,000</u>
Change in Net Assets							
Governmental activities	\$ 2,914	\$ 7,571	\$ 5,624	\$ 5,242	\$ 14,492	\$ 13,341	\$ 18,813
Business-type activities	<u>2,202</u>	<u>6,227</u>	<u>4,038</u>	<u>9,998</u>	<u>11,474</u>	<u>(10,521)</u>	<u>8,802</u>
Total primary government	<u>\$ 5,116</u>	<u>\$ 13,798</u>	<u>\$ 9,662</u>	<u>\$ 15,240</u>	<u>\$ 25,966</u>	<u>\$ 2,820</u>	<u>\$ 27,615</u>

*The City of Galveston, Texas implemented GASB Statement No. 34 in 2003, therefore only seven years of information is available.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund				
Reserved	\$ 1,129,742	\$ 1,129,542	\$ 1,234,722	\$ 592,523
Unreserved	2,188,846	2,188,846	4,683,830	6,064,743
Total general fund	<u>\$ 3,318,588</u>	<u>\$ 3,318,388</u>	<u>\$ 5,918,552</u>	<u>\$ 6,657,266</u>
 All other governmental funds				
Reserved	\$ 102,049,307	\$ 102,052,636	\$ 94,337,975	\$ 34,970,343
Unreserved	4,278,228	4,278,228	47,988,259	194,337
Unreserved, report in:				
Capital project funds				
Special revenue funds	269,991	266,862	2,197,340	2,337,869
Total other governmental funds	<u>\$ 106,597,526</u>	<u>\$ 106,597,726</u>	<u>\$ 144,523,574</u>	<u>\$ 37,502,549</u>

Exhibit III

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 480,561	\$ 593,765	\$ 334,920	\$ 2,623,562	\$ 2,711,914	\$ 2,925,633
7,293,827	8,777,795	11,765,355	11,227,881	11,421,882	13,751,737
<u>\$ 7,774,388</u>	<u>\$ 9,371,560</u>	<u>\$ 12,100,275</u>	<u>\$ 13,851,443</u>	<u>\$ 14,133,796</u>	<u>\$ 16,677,370</u>
\$ 7,463,893	\$ 13,577,627	\$ 20,391,385	\$ 25,381,835	\$ 23,115,229	\$ 24,366,510
5,875,754		142,402			33,291,344
		1,416			(56,069)
<u>2,347,900</u>	<u>1,812,875</u>	<u>3,401,893</u>	<u>106,120</u>	<u>(143,555)</u>	<u>(32,382)</u>
<u>\$ 15,687,547</u>	<u>\$ 15,390,502</u>	<u>\$ 23,937,096</u>	<u>\$ 25,487,955</u>	<u>\$ 22,971,674</u>	<u>\$ 57,569,403</u>

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

	2000	2001	2002	2003
Revenues				
Taxes:				
Property taxes	\$ 9,863,934	\$ 10,636,480	\$ 11,660,813	\$ 12,147,194
Sales and use taxes	9,205,783	12,802,191	12,757,466	13,339,761
Franchise taxes	4,518,987	5,472,040	4,680,348	4,824,484
Hotel occupancy				
Fines and forfeitures	1,757,325	1,665,389	1,919,173	1,835,900
Licenses and permits	462,939	461,130	970,459	882,048
Intergovernmental	5,051,429	6,456,727	6,700,295	8,212,693
Charges for services	1,797,276	2,920,992	2,615,041	2,692,018
Investment earnings	478,547	835,654	654,674	716,787
Miscellaneous	3,982,953	1,442,479	1,696,143	7,433,637
Payments in lieu of taxes				
Total Revenues	<u>37,119,173</u>	<u>42,693,082</u>	<u>43,654,412</u>	<u>52,084,522</u>
Expenditures				
General government	3,162,068	4,499,673	4,116,076	3,988,181
Public safety	16,130,990	19,856,393	20,249,092	19,784,935
Public works	2,547,881	2,822,852	2,725,219	2,807,218
Culture and recreation	1,099,511	2,244,369	2,498,976	3,102,454
Planning and community development	1,572,758	2,376,734	4,259,306	4,353,386
Transportation	2,585,280	4,181,645	3,780,732	3,870,762
Other	6,131,419	781,368	776,488	
Capital outlay	2,140,833	2,461,694	4,457,737	21,006,276
Debt service:				
Principal	1,322,151	1,150,332	1,415,252	2,334,328
Interest and other charges	1,290,517	1,223,679	1,158,490	3,234,649
Total Expenditures	<u>37,983,408</u>	<u>41,598,739</u>	<u>45,437,368</u>	<u>64,482,189</u>
Excess of revenues over (under) expenditures	(864,235)	1,094,343	(1,782,956)	(12,397,667)
Other Financing Sources (Uses)				
Transfers in	2,363,194	1,961,125	5,043,951	
Transfers out	(2,450,407)	(1,961,125)	(5,043,951)	(150,000)
Bonds issued		14,915,677	42,340,085	
Payments to refunded bond escrow agent		(1,098,590)	(9,610,618)	
Capital leases	231,455			195,785
Proceeds from loan				
Sale of capital assets				
Capital contributions				
Total Other Financing Sources (Uses)	<u>144,242</u>	<u>13,817,087</u>	<u>32,729,467</u>	<u>45,785</u>
Extraordinary item - insurance proceeds related to hurricane Ike				
Net change in fund balances	<u>\$ (719,993)</u>	<u>\$ 14,911,430</u>	<u>\$ 30,946,511</u>	<u>\$ (12,351,882)</u>
Debt service as a percentage of non-capital expenditures	7.4%	6.1%	6.0%	9.5%

Exhibit IV

2004	2005	2006	2007	2008	2009
\$ 13,186,960	\$ 13,883,642	\$ 15,570,356	\$ 16,200,093	\$ 18,647,994	\$ 19,530,352
13,689,462	14,424,663	16,849,450	22,116,284	22,704,813	22,329,682
4,841,443	4,879,699	5,148,416	5,374,681	5,450,345	4,806,846
		4,122,104			
1,764,861	2,330,349	1,828,036	2,466,285	2,601,586	2,326,075
1,179,514	1,313,886	1,577,415	1,334,749	1,000,361	1,784,222
8,421,167	7,295,013	7,185,304	6,893,575	16,654,859	83,977,409
2,841,201	3,432,738	3,533,981	3,686,864	2,838,980	2,075,934
395,202	682,679	1,523,724	2,234,647	1,378,287	414,544
4,841,764	4,737,887	791,144	1,407,875	1,567,770	1,427,391
		655,190	736,824	125,880	119,753
<u>51,161,574</u>	<u>52,980,556</u>	<u>58,785,120</u>	<u>62,451,877</u>	<u>72,970,875</u>	<u>138,792,208</u>
4,213,164	4,624,844	5,005,095	5,044,120	5,482,693	5,934,113
20,297,811	22,197,995	23,518,717	25,262,076	31,028,485	28,674,367
2,777,669	2,732,340	3,152,531	3,356,179	9,479,789	66,170,885
3,363,044	3,566,928	6,071,320	6,826,276	7,816,000	8,800,651
4,394,758	3,766,931	3,762,075	4,330,446	3,531,916	3,293,090
3,703,654	4,102,026	4,355,966	4,892,519	5,022,723	4,418,959
28,812,375	6,489,761	3,473,537	5,437,402	8,027,872	7,223,020
2,403,386	2,336,783	2,638,390	2,376,618	1,976,368	2,048,866
3,145,796	2,977,186	3,321,250	3,225,640	3,501,027	3,451,105
<u>73,111,657</u>	<u>52,794,794</u>	<u>55,298,881</u>	<u>60,751,276</u>	<u>75,866,873</u>	<u>130,015,056</u>
(21,950,083)	185,762	3,486,239	1,700,601	(2,895,998)	8,777,152
533,036	600,000	4,023,293	4,490,769	4,264,684	4,696,451
	(100,000)	(3,523,293)	(3,914,885)	(3,663,853)	(4,080,005)
		9,840,254			
		(2,669,235)			
95,720	349,786		767,043		22,500,000
623,447	264,629	118,052	258,495	61,239	21,898
					316,072
<u>1,252,203</u>	<u>1,114,415</u>	<u>7,789,071</u>	<u>1,601,422</u>	<u>662,070</u>	<u>23,454,416</u>
					4,909,735
<u>\$ (20,697,880)</u>	<u>\$ 1,300,177</u>	<u>\$ 11,275,310</u>	<u>\$ 3,302,023</u>	<u>\$ (2,233,928)</u>	<u>\$ 37,141,303</u>
8.2%	11.2%	12.1%	10.2%	7.8%	4.4%

CITY OF GALVESTON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property		Agriculture, Minerals and Unimproved Land	Less Tax Exempt Real Property
		Residential Property	Commercial Property		
2000	1999	*	*	*	*
2001	2000	*	*	*	*
2002	2001	*	*	*	*
2003	2002	*	*	*	*
2004	2003	\$ 1,298,374,213	\$ 2,129,572,561	\$ 296,743,081	\$ 1,288,394,811
2005	2004	1,417,277,656	2,170,011,241	350,374,967	1,356,161,582
2006	2005	1,672,452,438	2,820,883,699	377,360,369	1,962,444,790
2007	2006	1,683,926,873	3,003,749,029	314,300,569	1,673,747,884
2008	2007	2,017,563,012	3,434,393,698	414,272,322	1,726,137,187
2009	2008	2,238,512,202	3,448,537,786	481,608,731	1,738,355,125

* Information not available

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

Source: Galveston Central Appraisal District

Exhibit V

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
*	*	*	*
*	*	*	*
*	*	*	*
*	*	*	*
\$ 2,436,295,044	0.54170	\$ 3,724,887,715	65.41%
2,581,502,282	0.54170	3,937,872,354	65.56%
2,908,251,716	0.54170	4,870,900,236	59.71%
3,328,228,587	0.49400	5,001,976,471	66.54%
4,140,091,845	0.49400	6,138,802,150	67.44%
4,430,303,594	0.49400	6,518,843,089	67.96%

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

Fiscal Year	Tax Year	City of Galveston				Galveston I.S.D.
		General Fund	Library Fund	Debt Service Fund	Total	
2000	1999	\$ 0.42710	\$ 0.05000	\$ 0.07280	\$ 0.54990	\$ 1.52000
2001	2000	0.43140	0.05000	0.06720	0.54860	1.52000
2002	2001	0.44210	0.05000	0.06380	0.55590	1.52000
2003	2002	0.44210	0.05000	0.06280	0.55490	1.57000
2004	2003	0.44240	0.05000	0.04930	0.54170	1.56000
2005	2004	0.43580	0.05000	0.05590	0.54170	1.71000
2006	2005	0.42280	0.05000	0.06890	0.54170	1.71000
2007	2006	0.38340	0.05000	0.06060	0.49400	1.52500
2008	2007	0.38980	0.05000	0.05420	0.49400	1.17500
2009	2008	0.39310	0.05000	0.05090	0.49400	1.16500

Source: Galveston Central Appraisal District, 2008 Taxing Entities and Tax Rates

Exhibit VI

Galveston College	Navigation District 1	Galveston County	Total Millage
\$ 0.19780	\$ 0.04000	\$ 0.54500	2.85270
0.19780	0.04060	0.54500	2.85200
0.19520	0.04060	0.56540	2.87710
0.19520	0.04200	0.59390	2.95600
0.19520	0.04200	0.62760	2.96650
0.19520	0.04090	0.62795	3.11575
0.19180	0.03800	0.64000	3.12150
0.17000	0.03370	0.58740	2.81010
0.17000	0.03300	0.56860	2.44060
0.17000	0.03200	0.55860	2.41960

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CITY OF GALVESTON, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Exhibit VII

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Centerpoint Energy / Reliant HL&P	\$ 41,128,150	1	0.93%	\$ 34,039,180	1	1.69%
Fertitta Hospitality, Incorporated	30,361,680	2	0.69%	17,531,080	3	0.87%
Citrine Realty, Inc.	24,707,360	3	0.56%			
Galveston Island Water Park LP	20,759,660	4	0.47%			
East Beach Partners, Ltd	18,067,750	5	0.41%			
Club Successor LLC	16,376,206	6	0.37%			
Southwestern Bell Telephone Co.	15,180,390	7	0.34%	25,237,150	2	1.26%
Emerald Tower Ltd	14,498,650	8	0.33%			
American National Insurance Co.	13,892,750	9	0.31%	11,468,960	6	0.57%
Silverleaf Resorts Inc	13,255,277	10	0.30%			
NewPark Shipbuilding				9,366,500	9	0.47%
MBP Corp				11,630,670	5	0.58%
Sealy & Smith Foundation				13,761,670	4	0.68%
Walmart Realty Co #604				10,043,876	8	0.50%
Dawn on the Seawall				10,186,890	7	0.51%
Meridan Galveston				8,038,320	10	0.40%
Total Assessed Valuation for Principal Property Taxpayers	\$ 208,227,873		4.70%	\$ 151,304,296		7.53%

Source: Galveston County Tax Office.

Total Taxable Assessed Value	\$4,430,303,594	\$ 2,009,726,348
------------------------------	-----------------	------------------

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

Fiscal Year	Tax Year	Tax Rate (A)	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	Amount
2000	1999	\$ 0.54990	\$ 9,652,260	\$ 9,450,127	97.9%	\$ 168,536
2001	2000	0.54860	10,627,198	10,233,447	96.3%	355,854
2002	2001	0.55590	11,798,824	11,214,542	95.0%	537,137
2003	2002	0.55490	12,227,748	11,707,895	95.7%	462,822
2004	2003	0.54170	13,168,877	12,608,244	95.7%	497,200
2005	2004	0.54170	13,908,839	13,142,435	94.5%	663,604
2006	2005	0.54170	15,753,999	15,296,589	97.1%	354,327
2007	2006	0.49400	17,051,702	16,498,184	96.8%	406,106
2008	2007	0.49400	19,733,768	19,179,139	97.2%	293,970
2009	2008	0.49400	21,070,183	20,410,225	96.9%	

Source: Tax department records of the City.

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

Exhibit VIII

Total Collections to Date

Amount	Percentage of Levy
\$ 9,618,663	99.7%
10,589,301	99.6%
11,751,679	99.6%
12,170,717	99.5%
13,105,444	99.5%
13,806,039	99.3%
15,650,916	99.3%
16,904,290	99.1%
19,473,109	98.7%
20,410,225	96.9%

CITY OF GALVESTON, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities					Business-Type Activities			
	General Obligation Bonds	Special Obligation Bonds	Capital Leases	Certificates of Obligation	Other**	Revenue Bonds	Capital Leases	Certificates of Obligation	Other**
2000	\$ 6,651	\$ 12,310	\$ 1,393	\$	\$ 7,232	\$ 15,364	\$	\$ 4,655	\$ 46,360
2001	18,702	11,615	2,634		6,924	56,244		4,025	48,713
2002	18,334	43,170	3,073		6,165	53,007	94	3,355	46,565
2003	17,984	42,075	2,449		5,998	60,569		3,940	46,736
2004	17,599	40,910	1,559	19,324	6,268	75,215	594	3,850	45,285
2005	17,184	39,670	1,072	19,324	7,754	50,860	627	2,870	63,631
2006	23,733	38,360	608	19,324	10,502	62,544	725	725	68,537
2007	22,898	36,985	756	19,324	21,433	60,575	2,128	630	63,645
2008	21,967	35,535	748	22,905	21,077	56,450	2,892	16,849	64,493
2009	20,963	34,010	880	22,752	34,843	80,585	2,420	16,146	68,722

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 Columns consist of contract and notes payable, accrued compensated absences, and deferred bond issuance cost.

Discretely Presented Component Units are included in this schedule.

Exhibit IX

Total Primary Government	Percentage of Actual Taxable value of Property¹	Per Capita[*]
\$ 93,965	4.91%	\$ 609
148,857	2.16%	383
173,763	1.87%	331
179,751	1.81%	322
210,604	1.55%	275
202,992	1.61%	285
225,058	1.43%	254
228,374	1.44%	255
242,916	1.37%	244
281,321	1.01%	179

CITY OF GALVESTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Exhibit X

Fiscal Year	Gross Bonded Debt^{1,2}	Less Amounts Available in Debt Service Fund and Debt Payable from Enterprise Revenues	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1999	\$ 4,595,817	\$ 1,545,189	\$ 3,050,628	0.15%	\$ 48
2000	7,100,808	1,196,296	5,904,512	0.29%	92
2001	18,871,931	1,428,121	17,443,810	0.81%	305
2002	18,334,425	1,528,664	16,805,761	0.71%	294
2003	17,983,514	2,737,460	15,246,054	0.69%	266
2004	17,599,221	2,580,396	15,018,825	0.60%	262
2005	17,184,352	2,807,277	14,377,075	0.29%	248
2006	23,733,322	3,467,805	20,265,517	0.41%	354
2007	22,897,644	3,738,669	19,158,975	0.38%	328
2008	21,966,543	3,954,839	18,011,704	0.29%	304
2009	20,962,765	4,504,517	16,458,248	0.25%	350

1. Includes all long term general obligation debt

2. FY 2009 Includes \$1,547,663 accretion

CITY OF GALVESTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
As of September 30, 2009

Exhibit XI

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Debt Applicable to City</u>
Galveston Independent School District	1 \$ 75,460,000	85.20%	\$ 64,291,920
Galveston County	2 319,844,000	18.55%	59,331,062
Galveston County MUD No. 29	3 4,560,000	100.00%	<u>4,560,000</u>
Total Net Overlapping Debt			128,182,982
Total Direct Debt			<u>20,962,765</u>
Total Direct and Overlapping Net Debt			<u><u>\$ 149,145,747</u></u>
Ratio of total direct and overlapping net debt to 2008 assessed valuation			<u><u>3.37%</u></u>
Direct and overlapping net debt per capita			<u><u>\$ 2,965</u></u>

(1) Per GISD audited financial statements as of 8/31/09.

(2) Galveston County Auditors Office

(3) MUD 29 Debt Schedule-City Finance Department

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

Exhibit XII

Fiscal Year	Population ⁴	Personal Income	Per Capita Personal Income ¹	Median Age ¹	Education Level in Years of Formal Schooling ²	School Enrollment ²	Unemployment Rate ³
2000	57,247	\$ 709,805,553	\$ 12,399	35.5	12.0	9,266	7.7%
2001	57,013	1,013,063,997	17,769	35.5	12.0	9,005	7.8%
2002	57,601	1,023,512,169	17,769	35.5	12.0	9,191	9.5%
2003	57,905	1,028,913,945	17,769	35.5	12.0	9,619	10.6%
2004	57,905	1,028,913,945	17,769	35.5	12.0	9,841	9.9%
2005	57,905	1,028,913,945	17,769	35.5	12.0	9,149	6.0%
2006	57,247	1,017,221,943	17,769	35.5	12.0	9,200	5.5%
2007	58,329	1,036,448,001	17,769	35.5	12.0	8,400	4.9%
2008	59,186	1,051,676,034	17,769	35.5	12.0	6,876	5.6%
2009	50,308	893,922,852	17,769	35.5	12.0	6,047	7.7%

Data Sources:

1 - United States Census Bureau, 2000 Census

2 - Galveston Independent School District

3 - Texas Workforce Commission (Data for Galveston County) and Galveston Chamber of Commerce

4 - 2009 City population data projection from Texas State Data Center is not available; therefore, data projection is computed based on information from school district, utility taps and utilities allies.

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF GALVESTON, TEXAS

Exhibit XIII

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2009		2000	
	Employees	Rank	Employees	Rank
University of Texas Medical Branch	10,500	1	12,765	1
American National Insurance Company	1,400	2	1,612	2
Galveston Independent School District	1,100	3	1,405	3
Landry's Restaurants	1,000	4	560	7
Moody Gardens	922	5	1,077	5
City of Galveston	730	6	700	6
County of Galveston (Island only)	700	7	1,200	4
Fertitta Hospitality	566	8	535	8
Galveston College	543	9		
Gulf Coast Center	300	10		
First Wave - Newpark Ship Building			450	9
Wyndham Historic Hotels Hospitality			430	10
Total	17,761		20,734	

Source: Galveston Chamber of Commerce and GEDP Survey

CITY OF GALVESTON, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	2000	2001	2002	2003
General Government				
City Secretary	3	3	3	3
Municipal Court	14	13	13	12
City Manager	5	5	4	4
City Auditor	1	1		
Finance	16	16	17	16
Legal	4	4	3	4
Human Resources	4	3	3	3
Police	201	207	208	211
Fire	103	103	103	106
Emergency Management	2	1	1	1
Streets & Traffic	37	32	31	40
Parks	27	28	29	30
Planning & Community Development	31	21	19	22
Total General Government	447	437	433	452
Pensions				
Waterworks	73	71	69	49
Sewer System	76	75	76	84
Drainage Utility			13	22
Municipal Golf Course	18	17	18	18
Sanitation	44	44	44	37
Municipal Airport	9	9	9	9
Central Service	7	13	13	12
Central Garage	26	26	24	23
Municipal Insurance	2	2	3	3
Construction Management				
Island Transit		64	65	56
Total Other Funds	254	321	332	313
Total Full Time Equivalent Personnel	700	758	765	765

Source: City Payroll Office

Exhibit XIV

Full-time Equivalent Employees as of September 30,

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
3	3	3	3	3	4
12	12	13	13	13	9
4	4	4	4	4	4
				1	1
17	17	16	17	16	20
4	5	6	5	5	5
4	4	4	3	4	4
218	216	219	220	205	192
113	123	127	131	131	119
1	2	2	1	1	2
49	50	50	50	51	44
34	36	51	34	38	44
25	25	33	23	35	42
<u>484</u>	<u>497</u>	<u>528</u>	<u>504</u>	<u>507</u>	<u>490</u>
45	43	39	38	34	36
86	80	73	74	69	55
25	25	23	22	16	16
18	12	12	12		
46	57	55	55	43	39
9	9	9	9	9	8
11	11	11	10	12	9
22	22	22	23	22	20
3	2	2	2	2	2
	6	6	6	7	7
52	64	65	65	59	48
<u>317</u>	<u>331</u>	<u>317</u>	<u>316</u>	<u>273</u>	<u>240</u>
<u>801</u>	<u>828</u>	<u>845</u>	<u>820</u>	<u>780</u>	<u>730</u>

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

Function	2000	2001	2002	2003
Police				
Physical arrests	8,716	8,542	10,316	9,069
Parking violations	57,659	64,428	60,600	57,431
Traffic violations	49,554	42,733	42,930	45,450
Fire				
Number of calls	6,073	7,219	7,034	7,276
Number of inspections	883	651	614	531
Water				
Number of service connections	22,000	22,000	22,000	22,000
Daily average consumption (gallons)	15,000,000	15,520,101	17,192,000	17,192,000
Sewer				
Average daily flow (gallons)	10,000,000	10,000,000	10,000,000	10,000,000
Max. daily capacity of plants (gallons)	14,500,000	14,500,000	14,500,000	14,500,000

Source: Various City departments.

Fiscal Year					
2004	2005	2006	2007	2008	2009
9,094	9,094	17,845	14,245	10,889	7,154
47,116	47,116	38,822	38,822	18,600	5,733
43,435	43,435	21,084	21,084	32,804	31,072
7,657	7,657	7,299	7,751	7,852	7,024
1,154	1,154	1,654	2,276	2,099	1,913
22,000	22,000	22,000	25,747	22,688	25,083
13,648,765	13,648,765	13,648,765	16,696,885	16,458,298	15,399,203
10,215,000	10,215,000	10,215,000	10,877,000	8,161,875	8,175,912
14,500,000	14,500,000	14,500,000	14,500,000	14,580,000	14,580,000

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

Function	2000	2001	2002	2003
Public safety				
Police				
Stations	4	3	3	3
Patrol units	37	77	61	63
Police Officers	161	162	164	164
Fire				
Fire stations	6	6	6	6
Firefighters	101	103	103	105
Highways and streets				
Streets (miles)	288	288	288	288
Street lights	3,812	3,812	3,812	3,812
Culture and recreation				
Parks acreage	250	250	277	277
Parks	15	15	16	16
Tennis courts	20	15	15	15
Community centers	2	2	2	2
Cemeteries	6	7	7	7
Athletic fields	16	16	28	28
Municipal Golf Course	1	1	1	1
Water				
Water mains (miles)	240	240	240	240
Fire hydrants	1,800	1,800	1,800	1,800
Maximum daily capacity (thousands of gallons)	15,000,000	33,000,000	33,000,000	33,000,000
Sewer				
Treatment Plants	4	4	4	4
Sanitary sewers (miles)	220	220	220	220
Storm sewers (miles)	75	75	75	75
Maximum daily treatment capacity (thousands of gallons)	14,500,000	14,500,000	14,500,000	14,500,000

Source: Various City departments and Centerpoint Energy

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

Exhibit XVI

Fiscal Year					
2004	2005	2006	2007	2008	2009
3	3	2	3	1	1
58	58	58	63	60	63
170	170	154	162	158	152
6	6	6	6	6	6
109	109	117	131	120	120
288	288	288	321	321	321
3,812	3,812	3,812	4,199	4,212	4,236
277	277	277	277	128	50
16	16	16	16	10	14
15	15	15	15	19	15
1	1	1	1	2	2
7	7	7	7	6	5
28	28	28	28	20	22
1	1	1	1		
317	317	317	333	380	385
1,931	1,931	1,931	2,350	2,368	2,410
33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
4	4	4	4	5	4
182	182	220	182	238	238
75	75	75	75	75	75
14,500,000	14,500,000	14,500,000	14,500,000	14,580,000	14,580,000