

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
A COMPONENT UNIT OF THE CITY OF GALVESTON**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
As of and for the Year Ended September 30, 2019**

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Park Board of Trustees of the City of Galveston:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board of Trustees of the City of Galveston, Texas (the "Park Board"), a component unit of the City of Galveston, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. GAAP.

INDEPENDENT AUDITOR'S REPORT, continued

Other Matters

Required Supplementary Information

U.S. GAAP require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 33-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park Board's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated February XX, 2020, on our consideration of the Park Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park Board's internal control over financial reporting and compliance.

Galveston, Texas
February XX, 2020

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

The management of the Park Board of Trustees of the City of Galveston (the "Park Board") provides the following information as an introduction, overview and analysis of the Park Board's financial statements for the fiscal year ended September 30, 2019.

Please read this analysis in conjunction with the Park Board's basic financial statements which begin on page 8. The first two financial statements are government-wide statements that account for all activities of the Park Board. The fund financial statements that follow report activities of the Park Board's funds in more detail.

Government-Wide Statements

These statements report on the Park Board as a whole. They are on the accrual basis of accounting, much the same as private industry.

- **Statement of Net Position:** This statement reports all assets and liabilities of the Park Board as of September 30, 2019. The difference between total assets and total liabilities is reported as "Net Position". Increases in the net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- **Statement of Activities:** This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Park Board for the fiscal year ended September 30, 2019. Changes in net position are recorded in the period in which the underlying event takes place, which includes the expenses of the Park Board's various programs net of related revenues, as well as separate presentation of the revenue available from general sources.

Fund Financial Statements

These statements provide financial position and results of the Park Board's funds. A fund is an accounting entity created to account for a specific activity or purpose. Funds of the Park Board are the General Government, Tourist Development, Beach Cleaning, Beach Patrol, Nourished Beach, Sand Replenishment, Debt Service, Stewart Beach Park, Seawolf Park, R.A. Appfel Beach Park, Dellanera RV Park, Urban Park, and East End Lagoon. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds:** Governmental funds are used to account for "governmental-type activities". Unlike the government-wide financial statements, governmental fund statements use a *flow of financial resources measurement focus*. That is to say, the operating statement of a governmental fund attempts to answer the question "Are there more or less resources that can be spent in the near future as a result of events and transactions of the period?" Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources." Decreases in the spendable resources are reported as "expenditures" or "other financing uses." We describe and reconcile the differences between the activities of the governmental funds and the government-wide activities in a reconciliation of the statements presented behind the governmental fund financial statements.

The Park Board maintains seven separate governmental funds. The governmental funds financial statements display the governmental funds considered to be major funds. For the year ended September 30, 2019, all governmental funds were considered to be major funds.

- **Proprietary Funds:** Proprietary funds provide similar information as is provided in the government-wide statements, only in more detail. Proprietary funds can be classified as enterprise funds or internal service funds; however, the Park Board only utilizes enterprise funds. Enterprise funds are used to account for the operations financed and operated in a manner similar to private business enterprises for which (a) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges or (b) determination of net income is appropriate for management control, accountability or other purposes. For the year ended September 30, 2019, all proprietary funds were considered to be major funds.
- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the Park Board's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Park Board's own programs. The accounting used for the fiduciary funds is much like that for the proprietary funds. For the year ended September 30, 2019, the Park Board had no fiduciary funds.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Other Financial Information

Notes to the basic financial statements: The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

Required supplementary information: In addition to the basic financial statements, this report also contains required supplementary information.

Government-Wide Summary and Analysis

The amount by which the Park Board's assets exceed its liabilities is called net position. As of September 30, 2019, the Park Board's combined net position was \$323,860,424. Of that amount, approximately \$311,496,757 was invested capital assets, net of the debt related to those assets.

Statements of Financial Position

	<u>2019</u>			<u>2018</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:						
Current and other	\$ 18,103,274	\$ 267,436	\$ 18,370,710	\$ 18,316,786	\$ 243,876	\$ 18,560,662
Capital assets	<u>310,264,688</u>	<u>4,714,756</u>	<u>314,979,444</u>	<u>322,432,812</u>	<u>5,371,575</u>	<u>327,804,387</u>
Total assets	<u>\$ 328,367,962</u>	<u>\$ 4,982,192</u>	<u>\$ 333,350,154</u>	<u>\$ 340,749,598</u>	<u>\$ 5,615,451</u>	<u>\$ 346,365,049</u>
Liabilities:						
Long-term liabilities	\$ 1,368,132	\$ 4,383,017	\$ 5,751,149	\$ 3,412,446	\$ 43,523	\$ 3,455,969
Other liabilities	<u>3,688,689</u>	<u>49,892</u>	<u>3,738,581</u>	<u>2,280,490</u>	<u>4,568,352</u>	<u>6,848,842</u>
Total liabilities	<u>5,056,821</u>	<u>4,432,909</u>	<u>9,489,730</u>	<u>5,692,936</u>	<u>4,611,875</u>	<u>10,304,811</u>
Net Position:						
Invested in capital assets net of related debt	\$ 306,797,225	\$ 4,699,532	\$ 311,496,757	\$ 318,572,916	\$ 5,337,262	\$ 323,910,178
Restricted for debt service	393,132	-	393,132	662,391	-	662,391
Unrestricted	<u>16,120,784</u>	<u>(4,150,249)</u>	<u>11,970,535</u>	<u>15,821,355</u>	<u>(4,333,686)</u>	<u>11,487,669</u>
Total net position	<u>323,311,141</u>	<u>549,283</u>	<u>323,860,424</u>	<u>335,056,662</u>	<u>1,003,576</u>	<u>336,060,238</u>
Total liabilities and net position	<u>\$ 328,367,962</u>	<u>\$ 4,982,192</u>	<u>\$ 333,350,154</u>	<u>\$ 340,749,598</u>	<u>\$ 5,615,451</u>	<u>\$ 346,365,049</u>

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Government-Wide Summary and Analysis, continued

Statements of Activities

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenue:						
Charges for services	\$ 2,283,714	\$ 4,788,596	\$ 7,072,310	\$ 2,202,015	\$ 4,899,836	\$ 7,101,851
Operating grants	<u>2,625,898</u>	<u>205,758</u>	<u>2,831,656</u>	<u>995,781</u>	<u>127,500</u>	<u>1,123,281</u>
Total program revenue	<u>4,909,612</u>	<u>4,994,354</u>	<u>9,903,966</u>	<u>3,197,796</u>	<u>5,027,336</u>	<u>8,225,132</u>
General revenue:						
Taxes	12,264,209	-	12,264,209	12,466,561	-	12,466,561
Investment earnings	152,684	-	152,684	91,978	-	91,978
Capital asset contributions	3,410,155	-	3,410,155	2,031,666	-	2,031,666
Transfers	<u>99,865</u>	<u>(611,160)</u>	<u>(511,295)</u>	<u>389,554</u>	<u>(914,528)</u>	<u>(524,974)</u>
Total general revenue	<u>15,926,913</u>	<u>(611,160)</u>	<u>15,315,753</u>	<u>14,979,759</u>	<u>(914,528)</u>	<u>14,065,231</u>
Total revenue	<u>\$ 20,836,525</u>	<u>\$ 4,383,194</u>	<u>\$ 25,219,719</u>	<u>\$ 18,177,555</u>	<u>\$ 4,112,808</u>	<u>\$ 22,290,363</u>
Expenses:						
Governmental funds	\$ 32,582,046	\$ -	\$ 32,582,046	\$ 28,813,834	\$ -	\$ 28,813,834
Proprietary funds	<u>-</u>	<u>4,837,487</u>	<u>4,837,487</u>	<u>-</u>	<u>4,413,786</u>	<u>4,413,786</u>
Total expenses	<u>32,582,046</u>	<u>4,837,487</u>	<u>37,419,533</u>	<u>28,813,834</u>	<u>4,413,786</u>	<u>33,227,620</u>
Change in net position	(11,745,521)	(454,293)	(12,199,814)	(10,636,279)	(300,978)	(10,937,257)
Beginning net position	<u>335,056,662</u>	<u>1,003,576</u>	<u>336,060,238</u>	<u>345,692,941</u>	<u>1,304,554</u>	<u>346,997,495</u>
Ending net position	<u>\$ 323,311,141</u>	<u>\$ 549,283</u>	<u>\$ 323,860,424</u>	<u>\$ 335,056,662</u>	<u>\$ 1,003,576</u>	<u>\$ 336,060,238</u>

Governmental Activities

Governmental net position decreased by (\$11,745,521). This decrease is due to less capital asset transfers. Of the total net position, \$11,970,535 in fund balance was unrestricted and available for use as directed by the Board of Directors.

The Statement of Activities reports the expenses of each governmental activities program and the related program revenue that offsets the cost of each program. The amount by which the costs of a program exceed its program revenues represents the extent to which that program must be subsidized by the general revenues.

Business-Type Activities

Business-type activities net position decreased by (\$454,293). Adverse weather conditions in the spring caused the beach park admissions to fall under budget 13%. Dellanera RV Park admissions fell under budget 22% and, Seawolf Park admissions met budget.

The Park Board bylaws require \$2 from each beach park admission collected at Dellanera Park and Stewart Beach Park and \$1 from each park admission collected at R A Appfel Park be transferred to the Sand Replenishment Fund which is to be used for future beach re-nourishment programs. In 2019, \$171,807 was transferred to the Sand Replenishment Fund; this fund had a cash reserve balance of \$270,657 as of September 30, 2019.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Government-Wide Summary and Analysis, continued

Budgetary Highlights

The goal of the Park Board's operating budget is for current budgeted revenues to equal or exceed current budgeted expenditures. Only unforeseen or emergency circumstances will be considered justification for utilizing contingency or fund balances during the annual budget process.

Governmental Funds:

The General Fund receives funding through interfund transfers for administrative fees from the other funds. The amount of each transfer is affected by the amount of hotel tax or park admissions each fund receives in revenue for the year. General fund transfers were under budget (\$35,223).

Beach Cleaning, Beach Patrol, Nourished Beach, and Tourism Development funds receive revenue from the hotel tax collections. Hotel occupancy collections were under budget (1%) or (\$24,209). Budgeted grant reimbursement was not received in the amount of \$1,885,904. Expenditures during the fiscal year were held under budget by management. All governmental funds showed revenues in excess of expenditures except for Tourism Development, Beach Cleaning and Sand Replenishment. The Beach Cleaning budget was adjusted by the Park Board of Trustees to include a transfer of funds to the Nourished Beach budget in the amount of \$775,000. This was used as a grant match for a beach renourishment project. Sand Replenishment expenditures exceeded revenue due to the budgeted incoming interfund transfers being reduced due to lower beach park admissions.

Enterprise Funds:

Budgeted revenue was set at \$6,728,583 exclusive of FEMA and use of reserves. FEMA reimbursements or advances were budgeted in the amount of \$994,104; of this amount, \$59,218 in actual funds was received. The remaining portion of the FEMA reimbursements or advances budget deficit was due to delays in the payment of advances and projects. Park Admissions were under budget 10% or (\$524,466). Adverse weather conditions in the spring of 2019 and Hurricane Harvey in 2017 affected park admissions. Due to this loss of revenue, management held restraints on spending. Enterprise fund expenditures were under budget.

Capital Asset Activity

For the year ended September 30, 2019, capital asset purchases and transfers include:

	Park Board (Purchases)	Moody Gardens (Transferred)
Buildings and Improvements	\$ 147,027	\$ 1,164,877
Equipment Purchases	216,374	1,867,865
Vehicle Purchases	443,590	377,413
	\$ 807,991	\$ 3,410,155

Maintenance Facility: The construction of this facility was completed in 2008. As of September 30, 2019, the mortgage principal balance was \$475,594.

Open Line of Credit: This was used for capital and equipment purchases. The line of credit is collateralized by Park Board funds held on deposit. As of September 30, 2019, the line balance was \$4,656.

Park Board Plaza: Renovations were financed using a municipal lease program in 2010. As of September 30, 2019, the balance of the lease was \$995,556.

Municipal Equipment & Vehicle Leases: Equipment and vehicles were purchased in 2019 using municipal lease financing. As of September 30, 2019, the balance of all previous and newly executed equipment and vehicle leases was \$389,120.

Beach Nourishment: The Park Board's participation in a beach renourishment project from 61st street to 103rd street was financed with a loan secured by Seawolf Park Admissions and 85% of all restricted revenue from beach park admissions. As of September 30, 2019, the balance of the loan was \$ 1,617,761.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2019

<u>Funds Affected</u>	<u>Project Work Status</u>	<u>Expected Reimbursements: Hurricane Ike</u>
General Fund	Completed	\$ (10,194)
Nourished Beach	Completed	41,702
Beach Cleaning	Completed	137,191
Beach Patrol	Completed	-
R. A. Apffel Park	Completed	392,054
Stewart Beach Park	Completed	47,093
Seawolf Park	Completed	114,811
Dellanera RV Park	Completed	<u>196,736</u>
Open PW expected reimbursement		-
Total expected reimbursements		<u>\$ 919,393</u>

The Park Board recognizes FEMA cost reimbursements as revenue of the funds affected upon compliance with all conditions of authorization and approval by the grantor agency. To date, each affected fund has incurred and recorded, for projects started, these expected reimbursements as expenses of the fund. Accordingly, certain funds have experienced accumulated deficits.

As of September 30, 2019, the following are the accumulated deficits for each fund:

	<u>Net Deficit 2019</u>	<u>Net Deficit 2018</u>
General Government	\$ (553,894)	\$ (730,829)
R.A. Apffel Park	(1,890,045)	(1,789,385)
Dellanera Park	<u>(2,008,682)</u>	<u>(1,806,925)</u>
Total	<u>\$ (4,452,621)</u>	<u>\$ (4,327,139)</u>

Once the requisite conditions and authorizations are met, it is expected that the deficits will be eliminated or substantially reduced.

Summary of Available Oil Spill Litigation Funds at September 30, 2019

The Park Board was party to two separate litigation matters with offshore oil spills in prior years, which adversely affected much of the Gulf of Mexico Coastal areas. The litigation was settled in 2015 and 2016 resulting in a combined award of \$1,016,480 to the Park Board. Such funds are included in the accompanying financial statements in the Debt Service Fund as an asset described as "Non-pooled cash and cash equivalents".

At September 30, 2019, total expenditures and the available balance of the oil spill litigation funds are as follows:

<u>Settlement Amount</u>	<u>Expenditures to Date</u>	<u>Interest to Date</u>	<u>Balance Available</u>
\$ 1,016,480	\$ (744,555)	\$ 15,037	\$ 286,962

Contacting the Park Board of Trustees Management

This financial report is designed to provide the citizens of the City of Galveston, customers, investors, and creditors with an overview of the Park Board's finances. If you have any questions or need additional financial information, please contact The Park Board of Trustees; 601 Tremont, Suite 200; Galveston, Texas 77550, or via the following:

Email: information@galvestonparkboard.org

Online: www.galvestonparkboard.org

GOVERNMENT- WIDE FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Petty cash	\$ 400	\$ 11,154	\$ 11,554
Pooled cash and cash equivalents	8,642,059	-	8,642,059
Non-pooled cash and cash equivalents	799,783	-	799,783
Investment securities	2,994,906	-	2,994,906
Investment in gold	20,794	-	20,794
Due from business-type activities	3,583,086	-	3,583,086
Accounts receivable, net	1,910,969	21,078	1,932,047
Inventory	5,667	3,584	9,251
Prepaid expenses	138,310	231,620	369,930
Other	7,300	-	7,300
Capital assets, net	310,264,688	4,714,756	314,979,444
Total assets	<u>\$ 328,367,962</u>	<u>\$ 4,982,192</u>	<u>\$ 333,350,154</u>
Liabilities and Net Position			
Liabilities			
Accounts payable and accrued liabilities	\$ 881,096	\$ 688,573	\$ 1,569,669
Due to governmental activities	-	3,583,086	3,583,086
Due to Arts and Historic Preservation	280,443	-	280,443
Due to City of Galveston	206,593	-	206,593
Deferred income	-	111,358	111,358
Long-term liabilities:			
Due within one year:			
Accrued interest payable	14,615	10	14,625
Lines of credit	-	4,656	4,656
Notes payable	262,421	-	262,421
Capital lease obligations	422,984	10,568	433,552
Due in more than one year:			
Accrued vacation and sick pay	206,611	34,658	241,269
Notes payable	1,830,934	-	1,830,934
Capital lease obligations	951,124	-	951,124
Total liabilities	<u>5,056,821</u>	<u>4,432,909</u>	<u>9,489,730</u>
Net Position			
Invested in capital assets, net of related debt	306,797,225	4,699,532	311,496,757
Restricted for debt service	393,132	-	393,132
Unrestricted net position (deficit)	16,120,784	(4,150,249)	11,970,535
Total net position	<u>323,311,141</u>	<u>549,283</u>	<u>323,860,424</u>
Total liabilities and net position	<u>\$ 328,367,962</u>	<u>\$ 4,982,192</u>	<u>\$ 333,350,154</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 17,141,741	\$ 2,065,696	\$ -	\$ (15,076,045)	\$ -	\$ (15,076,045)
Tourist Development	6,097,651	10,896	-	(6,086,755)	-	(6,086,755)
Beach Cleaning	3,049,574	28,078	500,097	(2,521,399)	-	(2,521,399)
Beach Patrol	2,810,515	37,628	-	(2,772,887)	-	(2,772,887)
Nourished Beach	3,481,161	141,416	2,125,801	(1,213,944)	-	(1,213,944)
Sand Replenishment	924	-	-	(924)	-	(924)
Debt Service	480	-	-	(480)	-	(480)
Total governmental activities	32,582,046	2,283,714	2,625,898	(27,672,434)	-	(27,672,434)
Business-type activities:						
Stewart Beach	1,057,259	1,115,156	18,427	-	76,324	76,324
Seawolf Park	1,515,341	1,436,583	11,848	-	(66,910)	(66,910)
R. A. Apffel Park	582,483	639,355	28,943	-	85,815	85,815
Dellanera Park	835,038	756,149	60,000	-	(18,889)	(18,889)
Urban Park	755,940	839,728	-	-	83,788	83,788
Pocket Parks	29,316	-	-	-	(29,316)	(29,316)
East End Lagoon	62,110	1,625	86,540	-	26,055	26,055
Total business-type activities	4,837,487	4,788,596	205,758	-	156,867	156,867
Total government	\$ 37,419,533	\$ 7,072,310	\$ 2,831,656	\$ (27,672,434)	\$ 156,867	\$ (27,515,567)
General revenues:						
Hotel occupancy tax				\$ 12,264,209	\$ -	\$ 12,264,209
Investment earnings				152,684	-	152,684
Capital asset contributions				3,410,155	-	3,410,155
Transfers				99,865	(611,160)	(511,295)
Total General Revenues and Transfers				15,926,913	(611,160)	15,315,753
Change in net position				(11,745,521)	(454,293)	(12,199,814)
Net position, beginning				335,056,662	1,003,576	336,060,238
Net position, ending				\$ 323,311,141	\$ 549,283	\$ 323,860,424

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
GOVERNMENTAL FUNDS - BALANCE SHEET
SEPTEMBER 30, 2019

	<u>General Government</u>	<u>Tourist Development</u>	<u>Beach Cleaning</u>	<u>Beach Patrol</u>
Assets				
Petty cash	\$ 200	\$ 100	\$ -	\$ 100
Pooled cash and cash equivalents	8,642,059	-	-	-
Non-pooled cash and cash equivalents	-	-	-	-
Investment securities	2,994,906	-	-	-
Investment in gold	-	20,794	-	-
Accounts receivable, net	22,625	65,020	701,410	611,507
Due from other funds	-	8,513,792	3,979,183	2,621,942
Inventory	-	5,667	-	-
Prepaid expenses	94,350	5,053	37,034	1,873
Other	7,300	-	-	-
	<u>\$ 11,761,440</u>	<u>\$ 8,610,426</u>	<u>\$ 4,717,627</u>	<u>\$ 3,235,422</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 114,638	\$ 489,689	\$ 112,179	\$ 81,501
Due to other funds	11,994,103	-	-	-
Due to City of Galveston	206,593	-	-	-
Due to Arts and Historic Preservation	-	280,443	-	-
	<u>12,315,334</u>	<u>770,132</u>	<u>112,179</u>	<u>81,501</u>
Fund Balances				
Nonspendable:				
Prepaid assets	94,350	5,053	37,034	1,873
Inventory	-	5,667	-	-
Investment in gold	-	20,794	-	-
Restricted:				
Debt Service	-	-	-	-
Committed:				
Sand Replenishment	-	-	-	-
Assigned:				
Tourist Development	-	7,808,780	-	-
Beach Cleaning	-	-	4,568,414	-
Beach Patrol	-	-	-	3,152,048
Unassigned	(648,244)	-	-	-
	<u>(553,894)</u>	<u>7,840,294</u>	<u>4,605,448</u>	<u>3,153,921</u>
Total fund balance	<u>(553,894)</u>	<u>7,840,294</u>	<u>4,605,448</u>	<u>3,153,921</u>
Total liabilities and fund balance	<u>\$ 11,761,440</u>	<u>\$ 8,610,426</u>	<u>\$ 4,717,627</u>	<u>\$ 3,235,422</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
GOVERNMENTAL FUNDS - BALANCE SHEET, CONTINUED
SEPTEMBER 30, 2019

	<u>Nourished Beach</u>	<u>Sand Replenishment</u>	<u>Debt Service</u>	<u>Total</u>
Assets				
Petty cash	\$ -	\$ -	\$ -	\$ 400
Pooled cash and cash equivalents	-	-	-	8,642,059
Non-pooled cash and cash equivalents	-	98,916	700,867	799,783
Investment securities	-	-	-	2,994,906
Investment in gold	-	-	-	20,794
Accounts receivable, net	510,407	-	-	1,910,969
Due from other funds	598,266	171,741	-	15,884,924
Inventory	-	-	-	5,667
Prepaid expenses	-	-	-	138,310
Other	-	-	-	7,300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,108,673</u>	<u>\$ 270,657</u>	<u>\$ 700,867</u>	<u>\$ 30,405,112</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 83,089	\$ -	\$ -	\$ 881,096
Due to other funds	-	-	307,735	12,301,838
Due to City of Galveston	-	-	-	206,593
Due to Arts and Historic Preservation	-	-	-	280,443
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	83,089	-	307,735	13,669,970
Fund Balances				
Nonspendable:				
Prepaid assets	-	-	-	138,310
Inventory	-	-	-	5,667
Investment in gold	-	-	-	20,794
Restricted:				
Debt Service	-	-	393,132	393,132
Committed:				
Sand Replenishment	-	270,657	-	270,657
Assigned:				
Tourist Development	-	-	-	7,808,780
Beach Cleaning	-	-	-	4,568,414
Beach Patrol	-	-	-	3,152,048
Unassigned	1,025,584	-	-	377,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,025,584</u>	<u>270,657</u>	<u>393,132</u>	<u>16,735,142</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 1,108,673</u>	<u>\$ 270,657</u>	<u>\$ 700,867</u>	<u>\$ 30,405,112</u>

The accompanying notes are an integral part of these financial statements.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Total fund balance	\$	16,735,142
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		310,264,688
Accrued interest payable		(14,615)
Accrued vacation and sick pay		(206,611)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		<u>(3,467,463)</u>
Net assets of governmental activities	\$	<u><u>323,311,141</u></u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Government</u>	<u>Tourist Development</u>	<u>Beach Cleaning</u>	<u>Beach Patrol</u>
Revenues				
Hotel taxes	\$ -	\$ 6,026,597	\$ 2,625,332	\$ 2,414,327
State and local funds	-	-	500,097	-
Administrative fees	1,880,931	-	-	-
Interest income	139,712	-	-	-
Other	184,765	10,896	24,720	37,628
Total revenues	<u>2,205,408</u>	<u>6,037,493</u>	<u>3,150,149</u>	<u>2,451,955</u>
Expenditures				
Payroll and benefits	1,080,232	1,452,363	1,429,310	1,644,414
Advertising and publicity	-	2,170,302	-	-
Sales expense	-	188,787	-	-
Special projects	-	786,787	2,500	-
Administrative fees	-	672,000	303,386	278,007
Other operating costs	739,061	772,040	737,410	452,204
Capital outlay	42,825	49,255	406,582	299,876
Total expenditures	<u>1,862,118</u>	<u>6,091,534</u>	<u>2,879,188</u>	<u>2,674,501</u>
Excess of revenues over (under) expenditures	343,290	(54,041)	270,961	(222,546)
Other financing sources and (uses)				
Capital lease additions	-	-	249,833	133,680
Line of credit payments	-	-	-	-
Notes payable payments	-	-	(39,061)	-
Capital lease payments	(159,855)	-	(238,034)	(134,706)
Transfer from (to) other funds	(6,500)	-	(537,803)	500,511
Gain (loss) on sale of capital asset	-	-	3,358	-
Total other financing sources and uses	<u>(166,355)</u>	<u>-</u>	<u>(561,707)</u>	<u>499,485</u>
Excess of revenues and other sources over (under) expenditures	176,935	(54,041)	(290,746)	276,939
Fund balance, beginning of year	<u>(730,829)</u>	<u>7,894,335</u>	<u>4,896,194</u>	<u>2,876,982</u>
Fund balance, end of year	<u><u>\$ (553,894)</u></u>	<u><u>\$ 7,840,294</u></u>	<u><u>\$ 4,605,448</u></u>	<u><u>\$ 3,153,921</u></u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Nourished Beach</u>	<u>Sand Replenishment</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
Hotel taxes	\$ 1,197,953	\$ -	\$ -	\$ 12,264,209
State and local funds	2,125,801	-	-	2,625,898
Administrative fees	-	-	-	1,880,931
Interest income	-	3,602	9,370	152,684
Other	141,416	-	-	399,425
Total revenues	<u>3,465,170</u>	<u>3,602</u>	<u>9,370</u>	<u>17,323,147</u>
Expenditures				
Payroll and benefits	-	-	-	5,606,319
Advertising and publicity	-	-	-	2,170,302
Sales expense	-	-	-	188,787
Special projects	-	-	-	789,287
Administrative fees	115,607	158	478	1,369,636
Other operating costs	3,324,818	766	2	6,026,301
Capital outlay	41,694	-	-	840,232
Total expenditures	<u>3,482,119</u>	<u>924</u>	<u>480</u>	<u>16,990,864</u>
Excess of revenues over (under) expenditures	(16,949)	2,678	8,890	332,283
Other financing sources and uses				
Capital lease additions	-	-	-	383,513
Line of credit payments	-	-	-	-
Notes payable payments	(204,290)	-	-	(243,351)
Capital lease payments	-	-	-	(532,595)
Transfer from (to) other funds	543,895	(122,089)	(278,149)	99,865
Gain (loss) on sale of capital asset	-	-	-	3,358
Total other financing sources and uses	<u>339,605</u>	<u>(122,089)</u>	<u>(278,149)</u>	<u>(289,210)</u>
Excess of revenues and other sources over (under) expenditures	322,656	(119,411)	(269,259)	43,073
Fund balance, beginning of year	<u>702,928</u>	<u>390,068</u>	<u>662,391</u>	<u>16,692,069</u>
Fund balance, end of year	<u>\$ 1,025,584</u>	<u>\$ 270,657</u>	<u>\$ 393,132</u>	<u>\$ 16,735,142</u>

The accompanying notes are an integral part of these financial statements.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net changes in fund balances-total governmental funds \$ 43,073

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	624,621	
Capital assets contributed	3,410,155	
Less current year depreciation	(16,202,900)	(12,168,124)

Decrease in accrued interest 2,777

Increase in vacation and sick pay (15,680)

Loan proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets. Repayment of notes and bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Capital financing additions	(383,513)	
Principal payments - notes payable	243,351	
Principal payments - capital lease	532,595	392,433

Changes in net assets of governmental activities \$ (11,745,521)

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
PROPRIETARY FUNDS - STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Business-Type Activities - Enterprise Funds

	Stewart Beach Park	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Pocket Parks	East End Lagoon	Total
Assets								
Current assets:								
Petty cash	\$ 5,609	\$ 700	\$ 3,720	\$ 1,125	\$ -	\$ -	\$ -	\$ 11,154
Accounts receivable, net	17,490	474	2,291	148	675	-	-	21,078
Inventory	-	-	-	3,584	-	-	-	3,584
Prepaid expenses	125,818	22,051	60,717	22,661	373	-	-	231,620
Due from other funds	974,034	1,082,228	7,009	-	82,262	-	58,069	2,203,602
Total current assets	1,122,951	1,105,453	73,737	27,518	83,310	-	58,069	2,471,038
Property and equipment, net	600,164	2,005,954	1,645,255	449,213	14,170	-	-	4,714,756
Total assets	<u>\$ 1,723,115</u>	<u>\$ 3,111,407</u>	<u>\$ 1,718,992</u>	<u>\$ 476,731</u>	<u>\$ 97,480</u>	<u>\$ -</u>	<u>\$ 58,069</u>	<u>\$ 7,185,794</u>
Liabilities and Net Position								
Liabilities								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 120,083	\$ 283,090	\$ 29,694	\$ 171,205	\$ 84,278	\$ -	\$ 223	\$ 688,573
Accrued interest payable	-	-	-	10	-	-	-	10
Line of credit	-	-	-	-	4,656	-	-	4,656
Capital lease obligations	-	10,568	-	-	-	-	-	10,568
Deferred income	5,154	-	400	105,804	-	-	-	111,358
Due to other funds	7,414	-	3,577,485	2,201,789	-	-	-	5,786,688
Total current liabilities	132,651	293,658	3,607,579	2,478,808	88,934	-	223	6,601,853
Accrued vacation and sick pay	7,981	10,067	1,458	6,606	8,546	-	-	34,658
Capital lease obligations	-	-	-	-	-	-	-	-
Total liabilities	140,632	303,725	3,609,037	2,485,414	97,480	-	223	6,636,511
Net Position								
Invested in capital assets, net	600,164	1,995,386	1,645,255	449,213	9,513	-	-	4,699,531
Unrestricted net position (deficit)	982,319	812,296	(3,535,300)	(2,457,896)	(9,513)	-	57,846	(4,150,248)
Total net position	1,582,483	2,807,682	(1,890,045)	(2,008,683)	-	-	57,846	549,283
Total liabilities and net position	<u>\$ 1,723,115</u>	<u>\$ 3,111,407</u>	<u>\$ 1,718,992</u>	<u>\$ 476,731</u>	<u>\$ 97,480</u>	<u>\$ -</u>	<u>\$ 58,069</u>	<u>\$ 7,185,794</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-Type Activities - Enterprise Funds

	Stewart Beach Park	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Pocket Parks	East End Lagoon	Total
Operating revenue								
Sales and services	\$ 1,113,753	\$ 1,435,705	\$ 632,752	\$ 755,753	\$ 837,876	\$ -	\$ 1,625	\$ 4,777,464
Operating expenses								
Costs of sales and services	714,427	1,168,840	421,906	652,076	735,543	-	62,110	3,754,902
Depreciation and amortization	159,364	325,359	158,625	157,127	20,397	-	-	820,872
Total operating expenses	873,791	1,494,199	580,531	809,203	755,940	-	62,110	4,575,774
Operating income (loss)	239,962	(58,494)	52,221	(53,450)	81,936	-	(60,485)	201,690
Non-operating revenues (expenses)								
FEMA reimbursement	18,427	11,848	28,943	-	-	-	-	59,218
Contingency	(181,742)	-	-	-	-	-	-	(181,742)
Storm repairs	(1,726)	(21,142)	(1,952)	(25,835)	-	-	-	(50,655)
Other	1,403	878	6,603	60,396	1,852	(29,316)	86,540	128,356
Total non-operating revenues (expenses)	(163,638)	(8,416)	33,594	34,561	1,852	(29,316)	86,540	(44,823)
Income (loss) before transfers	76,324	(66,910)	85,815	(18,889)	83,788	(29,316)	26,055	156,867
Transfers, net	(30,080)	(146,065)	(186,475)	(741,491)	(83,788)	587,939	(11,200)	(611,160)
Changes in net position	46,244	(212,975)	(100,660)	(760,380)	-	558,623	14,855	(454,293)
Net position, beginning of year	1,536,239	3,020,657	(1,789,385)	(1,248,302)	-	(558,623)	42,990	1,003,576
Net position, end of year	\$ 1,582,483	\$ 2,807,682	\$ (1,890,045)	\$ (2,008,682)	\$ -	\$ -	\$ 57,845	\$ 549,283

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities - Enterprise Funds							
	Stewart Beach Park	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Pocket Parks	East End Lagoon	Total
Cash flows from operating activities:								
Cash received from customers	\$ 1,100,283	\$ 1,436,584	\$ 630,961	\$ 755,732	\$ 837,201	\$ -	\$ 1,625	\$ 4,762,386
Cash paid to suppliers and employees	(630,935)	(961,189)	(448,806)	(490,392)	(725,811)	-	(87,477)	(3,344,610)
Net cash provided by (used in) operating activities	469,348	475,395	182,155	265,340	111,390	-	(85,852)	1,417,776
Cash flows from noncapital financing activities:								
Increase (decrease) in accrued vacation	4,234	(4,621)	(1,123)	2,952	88	-	-	1,530
Increase (decrease) in due (from) or to General Fund	(181,504)	(269,901)	(5,304)	471,427	(21,093)	(582,013)	10,512	(577,876)
Non-operating income (expense)	(164,296)	(8,416)	27,638	34,561	1,852	-	86,540	(22,121)
Transfers to other funds	(30,080)	(146,065)	(186,475)	(741,491)	(83,788)	587,939	(11,200)	(611,160)
Net cash provided by (used in) noncapital financing activities	(371,646)	(429,003)	(165,264)	(232,551)	(102,941)	5,926	85,852	(1,209,627)
Cash flows from capital and related financing activities:								
Principal payments on debt obligations	(810)	(9,830)	-	-	(8,449)	-	-	(19,089)
Net cash used in capital and related financing activities	(810)	(9,830)	-	-	(8,449)	-	-	(19,089)
Cash flows from investing activities:								
Purchase of capital assets	(96,591)	(36,562)	(21,627)	(32,664)	-	-	-	(187,444)
Disposal of capital assets	-	-	-	-	-	23,390	-	23,390
Gain (loss) on disposal of capital assets	658	-	5,956	-	-	(29,316)	-	(22,702)
Net cash used in investing activities	(95,933)	(36,562)	(15,671)	(32,664)	-	(5,926)	-	(186,756)
Net increase in cash	959	-	1,220	125	-	-	-	2,304
Cash at beginning of year	4,650	700	2,500	1,000	-	-	-	8,850
Cash at end of year	\$ 5,609	\$ 700	\$ 3,720	\$ 1,125	\$ -	\$ -	\$ -	\$ 11,154
Reconciliation of net income to net cash provided by (used in) operating activities								
Operating income (loss)	\$ 239,962	\$ (58,494)	\$ 52,221	\$ (53,450)	\$ 81,936	\$ -	\$ (60,485)	\$ 201,690
Adjustments to reconcile operating income to net cash from operating activities:								
Depreciation and amortization	159,364	325,359	158,625	157,127	20,397	-	-	820,872
(Increase) decrease in accounts receivable	(13,470)	879	(1,791)	(21)	(675)	-	-	(15,078)
Decrease in inventory	-	-	-	847	-	-	-	847
(Increase) decrease in prepaid expenses	443	(514)	(10,812)	165	(307)	-	4,000	(7,025)
Increase (decrease) in deferred income	(2,975)	-	(3,900)	56,255	-	-	-	49,380
Increase (decrease) in accounts payable and accrued liabilities	86,024	208,165	(12,188)	104,417	10,039	-	(29,367)	367,090
Net cash provided by (used in) operating activities	\$ 469,348	\$ 475,395	\$ 182,155	\$ 265,340	\$ 111,390	\$ -	\$ (85,852)	\$ 1,417,776

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Park Board of Trustees of the City of Galveston (the "Park Board") was established by an ordinance of the City of Galveston (the "City") on August 22, 1963, pursuant to Vernon's Ann. Civ. St. Art. 6081g-1 (the "Act"), which authorizes any Texas Home Rule city having a population in excess of 60,000, bordering on the Gulf of Mexico, and having within its boundaries islands or parts of islands suitable for park purposes, to create an entity designated as a "Park Board of Trustees". The powers of the Park Board are specified in the Act, and include the operation, maintenance, equipping and financing of any and all existing parks placed under its jurisdiction by the City, as well as additional parks acquired by gift, but not by the exercise of the power of eminent domain. The Park Board does not have the power of taxation. The Park Board is governed by a nine-member Board of Trustees appointed by the City for a staggered two-year term. At least one member of the Park Board should be a member of the City Council of the City.

2. Summary of Significant Accounting Policies

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14 – *The Financial Reporting Entity*, the Park Board has been reported as a component unit of the City for the year ended September 30, 2019.

The Park Board complies with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Statement Presentation

These financial statements are presented in accordance with GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, these financial statements include the following:

- A Management's Discussion and Analysis ("MD&A") section providing management's analysis of the Park Board's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for the Park Board's governmental and business-type activities.
- Fund financial statements focusing on the major funds.

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities display information about the Park Board as a whole. These statements include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through intergovernmental revenues and reimbursements from participants. Business-type activities are financed by fees charged for goods or services.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Park Board's governmental and business-type activities. Direct expenses are those that are specifically associated with a function or program and, therefore, are clearly identifiable to a particular function or program. Function or program revenues include amounts charged for goods or services and grant awards that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as function or program revenues, such as investment earnings, are presented as general revenues.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements

Financial statements of the Park Board are organized into funds, each of which is considered to be a separate accounting entity. Funds are accounted for in separate sets of self-balancing accounts reflecting their respective assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Each of the fund statements should report separate columns for the general fund and for other major governmental and enterprise funds. A fund is considered major if it meets both of the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
- (b) The element that met the 10% criteria above is at least 5% of the aggregate amount for all governmental and enterprise funds.

Any other fund may be reported as a major fund, whether or not it meets the criteria in both (a) and (b) above, if the Park Board believes that the fund is particularly important to financial statement users.

Non-major funds are presented in the aggregate in the financial statements.

Governmental Funds

The Park Board reports major governmental funds as follows:

General Fund - Accounts for all financial resources except those required to be accounted for in another fund. Resources include revenues from management, administration, accounting, and computer fees; technical assistance and services fees; and earnings on investments. The General Fund is the general operating fund.

Tourist Development - Accounts for all promotion and advertising.

Beach Cleaning - Accounts for beach maintenance.

Beach Patrol - Accounts for lifeguard and rescue services.

Nourished Beach - Accounts for seawall maintenance, sand replenishment, and capital improvements of the beaches from 10th to 61st Street.

Sand Replenishment - Accounts for sand replenishment of the beaches.

Debt Service - Accounts for annual bond principal and interest and beach monitoring services.

Proprietary Funds

The Park Board reports major enterprise funds as follows: Stewart Beach, Seawolf Park, R. A. Apfel Park, Dellanera Park, Urban Park, and East End Lagoon. Minor enterprise funds consist of Pocket Parks 1 and 2 and are combined in the basic financial statements. Operating revenues of all proprietary funds are those revenues received in conjunction with the normal operations of the parks, and include beach user fees, admissions, rentals and other sales revenues at their respective parks. Nonoperating revenues are those revenues received outside of the normal operation of the parks and primarily include FEMA grant revenue received in relation to damages caused to parks and property by Hurricane Ike.

On January 8, 2018, Pocket Parks 1 and 2 were relinquished back to Galveston County. During the year ended September 30, 2019, net assets in these funds, related to property and equipment owned by the Park Board, were transferred to Dellanera Park.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Government-Wide and Proprietary Fund Net Position

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities including a statement of net position and a statement of activities. It requires the classification of net position of enterprise funds into three components: invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, upon which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Governmental Fund Balances

The Park Board has implemented the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*.

In the fund financial statements, governmental funds report fund balances based on the constraints imposed on the use of these resources using one of the following five classifications: nonspendable, restricted, committed, assigned, or unassigned.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balances are comprised of the remaining four classifications:

- Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification reflects the amounts constrained by the Park Board’s “intent” to be used for specific purposes but are neither restricted nor committed. The Park Board’s Board of Trustees has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned – This fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Park Board’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting

Measurement focus refers to what is expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering which resources are measured and when the effects of transactions and events involving those resources are recognized. When effects are recognized is referred to as the basis of accounting.

Governmental Fund Statements

Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter (normally within thirty days thereafter) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities, which are recognized when due.

Proprietary Fund Statements

Proprietary fund statements of net position and revenues, expenses, and changes in fund net position are presented using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with the fund activities are reported. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Government-Wide Statements

The government-wide statement of net position and statement of activities, which include both governmental and business-type activities, are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to proprietary fund statements. Due to the governmental fund statements utilizing a different measurement focus and basis of accounting than the government-wide statements, the governmental fund statements must be converted to the economic resources measurement focus and the accrual basis of accounting for proper inclusion in the government-wide statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents consist of petty cash, cash in money market checking accounts, and certificates of deposit with maturities of less than three months at inception.

Investments

Investment securities, primarily consisting of a U.S. government agency obligation, are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded when received. Unrealized gains and losses on investments, resulting from fair value fluctuations, are recorded in the period that such fluctuations occur. Realized gains and losses on the sale of investments are reported in the period in which the gains and losses are recognized.

Allowance for Doubtful Accounts

A provision is made for doubtful accounts, when considered necessary by management, to reflect accounts receivable at their estimated realizable value. Receivables are considered past due when payments are not made according to contractual terms. As of September 30, 2019, the Park Board did not record any allowance for doubtful accounts.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS**

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Park Board believes that the carrying value of its assets and liabilities approximates the fair value of such items. The Park Board does not hold or issue financial instruments for trading purposes.

Inventory

Inventory consist of expendable gift shop items held for sale by the Park Board and is valued at the lower of cost or market using the first-in, first-out method.

Interfund Balances

In the ordinary course of operations, 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 governmental fund balance sheet and proprietary fund statement of net position. Residual balances between the governmental activities and business-type activities are reported in the government-wide statement of net position as “due from business-type activities” and “due to governmental activities”. Amounts due to or from funds within the same fund type have been eliminated.

Capital Assets

The accounting treatment of property and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets of proprietary funds are reported in both the government-wide and proprietary fund financial statements. All other capital assets of the governmental unit are general capital assets. They are not reported as assets in the governmental fund financial statements but are reported in the governmental activities column in the government-wide statement of net position.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation expense is reported in the government-wide statement of activities and the proprietary fund statement of revenues, expenses and changes in fund net position.

Depreciation is recorded using the straight-line method over estimated service lives as follows:

	Years
Buildings	20 – 40 years
Improvements	5 – 15 years
Equipment	3 – 5 years
Autos	3 – 5 years
Furniture and fixtures	3 – 10 years

Capital assets are defined as items of property that:

- (a) Are tangible in nature,
- (b) Have economic useful life of two years or longer,
- (c) Maintain their identities throughout their useful lives, either as separate entities or as identifiable components, and
- (d) Original cost is \$5,000 or more.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Impairment of Long-Lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2019 and 2018, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Compensated Absences

Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Park Board. Accrued vacations shall lapse if vacations are not taken within certain time constraints. In accordance with GASB Statement No. 16 – *Accounting for Compensated Absences*, the Park Board accrues its liability for such pay.

Restricted Resources

The Park Board applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Park Board will not be able to recover deposits that are in the possession of an outside party. As of September 30, 2019, the Park Board's deposits with financial institutions of \$9,441,844 were adequately secured as follows:

Amount insured by the Federal Depository Insurance Corporation	\$ 500,000
Amount collateralized with securities held by the pledging financial institution's trust department in the Park Board's name	<u>8,941,844</u>
Total bank balance	<u>\$ 9,441,844</u>

4. Investments

The Park Board's funds are required to be deposited and invested under the terms of an enabling statute. Statutes authorize the Park Board to invest in obligations of the U.S. Treasury, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, and common trust funds.

As of September 30, 2019, the Park Board held investments in a U.S. government agency obligation and gold. In accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, money market investments (including U.S. government agency obligations) that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. Investments that are publicly traded and have a quoted market price are reported at fair value.

The Public Funds Investment Act ("Investment Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the general-purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Park Board adhered to the requirements of the Investment Act.

5. Fair Value Measurements

GASB Statement No. 72 – *Fair Value Measurement and Application*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS**

5. Fair Value Measurements, continued

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining fair value, the Park Board uses two different approaches (the market approach and the cost approach) depending on the nature of the assets and liabilities. The market approach uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities. The cost approach is the amount that would be currently required to replace an asset and indicates the cost to the Park Board to acquire a substitute asset.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

U.S. government agency obligation: Valued at amortized cost, which approximates fair value. (Cost Approach)

Gold: Valued at the daily closing price as reported in active markets. (Market Approach)

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Park Board believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Park Board's assets at fair value on a recurring basis as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government agency obligation	\$ -	\$ 2,994,906	\$ -	\$ 2,994,906
Gold	<u>20,794</u>	<u>-</u>	<u>-</u>	<u>20,794</u>
Total investments in the fair value hierarchy	<u>\$ 20,794</u>	<u>\$ 2,994,906</u>	<u>\$ -</u>	<u>\$ 3,015,700</u>

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS**

6. Accounts Receivable

As of September 30, 2019, accounts receivable consists of the following:

	<u>State of Texas</u>	<u>Other</u>	<u>Total</u>
Governmental activities	\$ 1,801,649	\$ 109,320	\$ 1,910,969
Business-type activities	-	21,078	21,078
Total accounts receivable	<u>\$ 1,801,649</u>	<u>\$ 130,398</u>	<u>\$ 1,932,047</u>

7. Interfund Balances and Transfers

Interfund balances represent amounts due from one fund to another. Increases to the interfund receivable and payable accounts generally represent amounts deposited to, or paid from, the general government pooled cash account on behalf of another fund.

As of September 30, 2019, the following interfund balances comprise the net interfund receivable and payable reflected in the government-wide statement of net position:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities:	General Government	R.A. Apffel Park	\$ 3,570,476
	General Government	Dellanera Park	<u>2,201,789</u>
	Total due from business-type activities		<u>5,772,265</u>
Business-type activities:	Stewart Beach	General Government	\$ 966,620
	Seawolf Park	General Government	1,082,228
	Urban Park	General Government	82,262
	East End Lagoon	General Government	<u>58,069</u>
	Total due from governmental activities		<u>2,189,179</u>
Net due from business-type activities (due to governmental activities)			<u>\$ 3,583,086</u>

Interfund transfers represent transfers from proprietary funds to governmental funds to supplement costs of operations and from the general government to proprietary funds to meet contractual obligations. During the year ended September 30, 2019, the following transfers comprise the net amount transferred to governmental funds in the government-wide statement of activities:

	<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Governmental activities:	Beach Cleaning	East End Lagoon	\$ 11,200
		Dellanera Park	15,443
		Seawolf Park	5,000
	Beach Patrol	Dellanera Park	33,565
		Stewart Beach	84,000
		R.A. Apffel Park	57,000
	Sand Replenishment	Dellanera Park	3,664
Stewart Beach		130,639	
R.A. Apffel Park		<u>37,503</u>	
Total transferred from business-type activities		<u>\$ 378,014</u>	
Business-type activities:	Stewart Beach	Debt Service	\$ 278,149
	Total transferred from governmental activities		<u>\$ 278,149</u>
Net transfers from business-type activities			<u>\$ 99,865</u>

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

8. Capital Assets

For the year ended September 30, 2019, capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital asset cost:				
Land	\$ 799,457	\$ -	\$ -	\$ 799,457
Contributed assets	562,475,651	3,410,155	-	565,885,806
Buildings and improvements	7,530,997	-	-	7,530,997
Equipment	1,615,247	131,623	-	1,746,870
Autos	1,634,416	443,590	-	2,078,006
Furniture and fixtures	199,685	5,000	-	204,685
Other improvements	276,267	44,408	-	320,675
Total capital asset cost	<u>574,531,720</u>	<u>4,034,776</u>	<u>-</u>	<u>578,566,496</u>
Less accumulated depreciation:				
Contributed assets	244,537,275	15,405,602	-	259,942,877
Buildings and improvements	4,705,422	380,064	-	5,085,486
Equipment	1,438,569	45,964	-	1,484,533
Autos	1,095,092	325,425	-	1,420,517
Furniture and fixtures	156,546	19,969	-	176,515
Other improvements	166,004	25,876	-	191,880
Total accumulated depreciation	<u>252,098,908</u>	<u>16,202,900</u>	<u>-</u>	<u>268,301,808</u>
Governmental activities capital assets, net	<u>\$ 322,432,812</u>	<u>\$ (12,168,126)</u>	<u>\$ -</u>	<u>\$ 310,264,688</u>
<u>Business-type Activities</u>				
Capital asset cost:				
Land	\$ 592,517	\$ -	\$ -	\$ 592,517
Buildings and improvements	9,941,121	38,467	53,782	9,925,806
Equipment	796,250	79,751	28,991	847,010
Autos	437,445	-	-	437,445
Furniture and fixtures	112,989	-	-	112,989
Other improvements	3,804,507	65,152	-	3,869,659
Construction in progress	84,251	-	-	84,251
Total capital asset cost	<u>15,769,080</u>	<u>183,370</u>	<u>82,773</u>	<u>15,869,677</u>
Less accumulated depreciation:				
Buildings and improvements	7,176,768	419,234	34,465	7,561,537
Equipment	1,198,814	33,020	28,991	1,202,843
Autos	382,771	46,397	-	429,168
Furniture and fixtures	170,061	15,981	-	186,042
Other improvements	1,469,091	306,240	-	1,775,331
Total accumulated depreciation	<u>10,397,505</u>	<u>820,872</u>	<u>63,456</u>	<u>11,154,921</u>
Business-type activities capital assets, net	<u>\$ 5,371,575</u>	<u>\$ (637,502)</u>	<u>\$ 19,317</u>	<u>\$ 4,714,756</u>

As of September 30, 2019, depreciation expense was charged to governmental and business-type activities as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 15,898,695	Stewart Beach Park	\$ 159,364
Beach Cleaning	166,120	Seawolf Park	325,359
Beach Patrol	124,347	R.A. Appfel Park	158,625
Tourist Development	13,738	Dellanera Park	157,127
Total expense	<u>\$ 16,202,900</u>	Urban Park	<u>20,397</u>
		Total expense	<u>\$ 820,872</u>

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS**

8. Capital Assets, continued

Contributed Capital Assets

Seawolf Park Enterprise Fund

City of Galveston Ordinance No. 71-29, dated April 6, 1972, transferred the management and control of real estate known as Pelican Island Park to the Park Board. The land value of the 44.9828 acres transferred is estimated based on the cost of 5.386 acres purchased by the City of Galveston from the Federal government. This amount does not necessarily reflect the fair market value of the real estate.

On June 30, 2003, the Park Board entered into an agreement with the U.S. Department of the Navy whereby the U. S. Department of the Navy donated the submarine "USS Cavalla" to the Park Board and The Cavalla Historical Foundation.

On June 30, 2003, the Park Board entered into an agreement with the Submarine Veterans of World War II -Texas, Inc. whereby the Submarine Veterans of World War II -Texas, Inc. donated the destroyer escort "USS Stewart" to the Park Board and The Cavalla Historical Foundation.

Capital Asset Contributions

In accordance with certain contractual agreements between the Park Board, The Moody Foundation, Inc., Moody Gardens, Inc., and The Colonel Museum, Inc., the Park Board has taken conveyance and assumed ownership of various facilities constructed or purchased by The Moody Foundation. Furthermore, it is agreed that these facilities will be operated by Moody Gardens, Inc. and the Colonel Museum, Inc. The agreements include restrictions regarding the use and disposition of items and facilities contributed. Capital Asset Contributions totaled \$3,410,155 for the year ended September 30, 2019.

9. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
Long-term debt:					
Notes payable	\$ 2,336,706	\$ -	\$ 243,351	\$ 2,093,355	\$ 262,421
Capital leases	<u>1,523,190</u>	<u>383,513</u>	<u>532,595</u>	<u>1,374,108</u>	<u>422,984</u>
Total long-term debt	<u>3,859,896</u>	<u>383,513</u>	<u>775,946</u>	<u>3,467,463</u>	<u>685,405</u>
Other long-term liabilities:					
Accrued interest payable	17,392	182,242	185,019	14,615	14,615
Compensated absences	<u>190,931</u>	<u>23,302</u>	<u>7,622</u>	<u>206,611</u>	<u>206,611</u>
Total other liabilities	<u>208,323</u>	<u>205,544</u>	<u>192,641</u>	<u>221,226</u>	<u>221,226</u>
Total long-term liabilities	<u>\$ 4,068,219</u>	<u>\$ 589,057</u>	<u>\$ 968,587</u>	<u>\$ 3,688,689</u>	<u>\$ 906,631</u>
<u>Business-Type Activities</u>					
Long-term debt:					
Lines of credit	\$ 13,105	\$ -	\$ 8,449	\$ 4,656	\$ 4,656
Capital leases	<u>21,208</u>	<u>-</u>	<u>10,640</u>	<u>10,568</u>	<u>10,568</u>
Total long-term debt	<u>34,313</u>	<u>-</u>	<u>19,089</u>	<u>15,224</u>	<u>15,224</u>
Other long-term liabilities:					
Accrued interest payable	24	157	171	10	10
Compensated absences	<u>33,128</u>	<u>2,653</u>	<u>1,123</u>	<u>34,658</u>	<u>34,658</u>
Total other liabilities	<u>33,152</u>	<u>2,810</u>	<u>1,294</u>	<u>34,668</u>	<u>34,668</u>
Total long-term liabilities	<u>\$ 67,465</u>	<u>\$ 2,810</u>	<u>\$ 20,383</u>	<u>\$ 49,892</u>	<u>\$ 49,892</u>

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS**

9. Long-Term Liabilities

Lines of credit

Effective November 30, 2018, the Park Board renewed and extended an existing \$540,000 line of credit agreement with Moody Bank, secured by a Certificate of Deposit, to finance capital improvements and automobile purchases. Interest, at a rate of 1.95% per annum, is due and payable monthly based on the amount drawn beginning on December 30, 2018. Principal and accrued unpaid interest is due and payable on November 30, 2019. As of September 30, 2019, the balance of the line of credit was \$4,656.

Effective July 24, 2018, the Park Board renewed and extended an existing \$3,000,000 line of credit agreement with Moody Bank, secured by a blanket UCC on all personal property, to fund the completion of FEMA-approved infrastructure projects. Interest, at a rate of 5.25%, on outstanding advances is due and payable monthly. Principal and accrued unpaid interest is due and payable on January 24, 2020. As of September 30, 2019, there was no outstanding balance on the line of credit.

Notes Payable

Effective February 22, 2013, the Park Board renewed and extended an existing \$800,000 loan agreement with Moody Bank, bearing interest at 5.90% per annum, and secured by certain real estate property within the city of Galveston, for the construction of a maintenance facility. Principal and interest payments of \$5,968 are due and payable in monthly installments until maturity on February 22, 2023, when all remaining principal and accrued unpaid interest will be due and payable. As of September 30, 2019, the balance of the loan is \$475,594. Principal and interest maturities for the next five fiscal years are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 45,310	\$ 26,775
2021	47,554	24,057
2022	50,437	21,174
2023	<u>332,293</u>	<u>56,564</u>
Total	<u>\$ 475,594</u>	<u>\$ 128,570</u>

Effective May 28, 2015, the Park Board entered into a \$2,500,000 loan agreement with Texas First Bank, bearing interest, per annum, at the prime rate as published in The Wall Street Journal (5.00% at September 30, 2019), and secured by Seawolf Park Admissions and 85% of all restricted revenue from beach park admissions, to finance their participation in a beach renourishment project from 61st street to 103rd street. Principal and interest payments of \$73,474 are due and payable in quarterly installments until maturity on May 28, 2025 when all remaining principal and accrued unpaid interest will be due and payable. As of September 30, 2019, the balance of the loan is \$1,617,761. Principal and interest maturities for the next five fiscal years are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 217,111	\$ 76,784
2021	228,172	65,724
2022	239,976	54,099
2023	252,013	41,883
2024	264,851	29,044
Thereafter	<u>415,638</u>	<u>15,551</u>
Total	<u>\$ 1,617,761</u>	<u>\$ 283,085</u>

Operating Lease

Effective October 24, 2017, the Park Board executed a five (5) year agreement with Galveston Historical Foundation (“GHF”) to have its visitor’s center located within Ashton Villa, a property owned by GHF, in exchange for \$1,500 per month to cover the cost of utilities. Lease payments of \$18,000 are due over the next three (3) fiscal years, through the date of maturity, for a total of \$54,000.

For the year ended September 30, 2019, lease expense was \$18,000.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

9. Long-Term Liabilities, continued

Capital Leases

Effective November 15, 2009, the Park Board entered into a \$2,232,041 Equipment Lease-Purchase agreement with All American Investment (“Lessor”), bearing interest at 5.40% per annum, and secured by certain real estate property within the city of Galveston, for improvements and renovations of the Park Board’s main office location. Principal and interest payments of \$54,762 are due and payable in quarterly installments until maturity on December 15, 2024 when all remaining principal and accrued unpaid interest will be due and payable. The Park Board has the option of purchasing the leased equipment prior to the scheduled quarterly payment upon 30 days written notice to the Lessor. As of September 30, 2019, the balance of the agreement is \$995,556. Principal maturities for the next five fiscal years are as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 168,665
2021	177,958
2022	187,764
2023	198,110
2024	209,027
Thereafter	<u>54,032</u>
Total	<u>\$ 995,556</u>

As of September 30, 2019, the gross amount of assets recorded under this capital lease, and the related accumulated amortization, by major class, is as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Buildings and improvements	\$ 1,906,293	\$ 1,229,812
Furniture and fixtures	<u>199,685</u>	<u>179,742</u>
Total	<u>\$ 2,105,978</u>	<u>\$ 1,409,554</u>

For the year ended September 30, 2019, amortization expense of the assets under this capital lease was \$152,802.

The Park Board has various capital lease agreements with Kansas State Bank (“Lessor”) for the lease/purchase of equipment and vehicles. The existing leases have varying maturity dates with the longest current lease expiring on September 12, 2021. Principal and interest payments are due and payable in annual installments until maturity when all remaining principal and accrued unpaid interest will be due and payable. The Park Board has the option of purchasing the leased equipment prior to the scheduled annual payment upon 30 days written notice to the Lessor. As of September 30, 2019, the balance of these agreements is \$389,120. Principal maturities are as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 264,877
2021	<u>124,243</u>
Total	<u>\$ 389,120</u>

As of September 30, 2019, the gross amount of assets recorded under these capital leases, and the related accumulated amortization, by major class, is as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Autos	\$ 621,108	\$ 127,310
Equipment	<u>187,363</u>	<u>41,636</u>
Total	<u>\$ 808,471</u>	<u>\$ 168,946</u>

For the year ended September 30, 2019, amortization expense of the assets under this capital lease was \$160,674.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

9. Long-Term Liabilities, continued

Interest Expense

Interest expense on long-term debt of \$182,399 has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related.

10. Defined Contribution Pension Plan

The Park Board contributes to the Galveston Park Board Defined Contribution Plan ("Pension Plan"), which is a defined contribution pension plan. Any employee of the Park Board is eligible to participate in the Pension Plan upon attaining the age of twenty and one-half (20½) years and the completion of six (6) months of service. 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 six (6) 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.

The Park Board makes employer matching contributions equal to five percent (5%) of each participant's eligible contributions. Participants must contribute at least three percent (3%) of eligible compensation in order to receive the employer matching contribution. During the year ended September 30, 2019, the Park Board made employer matching contributions of \$163,594.

No Pension Plan provision changes occurred during the year that affected the required contributions to be made by the Park Board.

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

11. Deferred Compensation Plan

The Park Board offers its employees a deferred compensation plan ("Compensation Plan") created in accordance with Internal Revenue Code ("IRC") Section 457. The Compensation Plan is available to all employees and allows participants to contribute a portion of their salary, before federal taxes, to a retirement account. The Park Board's aim in establishing this tax-favored Compensation Plan was to encourage employees to build their own financial security. Participation in the Compensation Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Pursuant to Section 457 of the IRC, the Compensation Plan assets are protected by a trust arrangement from claims on the employer and from any use by the employer other than paying benefits to employees and their beneficiaries in accordance with the Compensation Plan. Consequently, pursuant to GASB Statement No. 32 – *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Compensation Plan assets are not reflected as assets of the Park Board.

Investments for Park Board employees are managed by Nationwide Retirement Solutions. The participants make a choice of several investment options or a combination thereof.

12. Contingencies and Uncertainties

Taxing Authorities and Federal and State Agencies

State and federal agencies and taxing authorities reserve the right to perform certain audit work or other procedures in addition to the work performed by the Park Board's independent auditors. Funds received and administered under the jurisdiction of the Texas General Land Office and the Federal Emergency Management Act are particularly susceptible to additional procedures performed by the respective agencies. The significance or probability of assessments or costs resulting from additional procedures performed by those agencies or any other agencies, other than amounts included in the financial statements, is not determinable.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO FINANCIAL STATEMENTS

12. Contingencies and Uncertainties, continued

Texas General Land Office – During the year ending September 30, 2019, the Park Board received \$100,097 in state funds from the General Land Office for the purpose of beach nourishment under a Coastal Erosion Planning and Response Act grant contract.

Federal Emergency Management Agency – During the year ending September 30, 2019, the Park Board received \$85,157 in federal reimbursements and there were no outstanding receivables at year end representing federal reimbursements.

13. Related Party Transactions

The Park Board is comprised of individuals employed by or active in various businesses and other interests located in the Galveston Island community, some of which provide goods and services to the Park Board. It is the Park Board's policy for individual Board of Trustees members to abstain from voting on issues or contracts to which they may be perceived as a related party or with which they may have a conflict of interest.

14. Subsequent Events

Management has evaluated subsequent events through **February XX, 2020**, which is the date the financial statements were available to be issued, and has concluded that there were no significant events requiring additional disclosure in the financial statements.

SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
GENERAL GOVERNMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Administrative fees	\$ 1,916,154	\$ 1,916,154	\$ 1,880,931	\$ (35,223)
Interest income	75,000	75,000	139,712	64,712
Other	126,216	126,216	184,765	58,549
Total revenues	<u>2,117,370</u>	<u>2,117,370</u>	<u>2,205,408</u>	<u>88,038</u>
Expenditures				
Payroll and benefits	1,122,403	1,129,831	1,080,232	(49,599)
Contract services	74,486	78,496	75,943	(2,553)
Copy Lease	13,265	13,415	15,165	1,750
Legal and professional	90,769	86,759	97,768	11,009
Insurance	97,975	97,975	106,722	8,747
Repairs and maintenance	36,200	38,648	34,614	(4,034)
Communication	30,430	30,430	21,802	(8,628)
Utilities	27,490	27,490	17,229	(10,261)
Supplies	22,350	20,436	18,622	(1,814)
Gasoline	2,500	2,500	1,765	(735)
Improvements and equipment	10,700	11,196	9,998	(1,198)
Meetings and seminars	46,395	45,635	26,552	(19,083)
Interest expense	59,191	59,191	58,711	(480)
Storm Repairs	45,352	45,352	4,541	(40,811)
Contingency-Board approval required	85,000	85,000	66,445	(18,555)
Other	206,626	198,778	226,009	27,231
Total expenditures	<u>1,971,132</u>	<u>1,971,132</u>	<u>1,862,118</u>	<u>(109,014)</u>
Revenues over (under) expenditures	146,238	146,238	343,290	197,052
Other financing sources (uses)				
Loan proceeds	28,598	28,598	-	(28,598)
Loan payments	(159,855)	(159,855)	(159,855)	-
Transfer from (to) other funds	(6,500)	(6,500)	(6,500)	-
Total other financing sources (uses)	<u>(137,757)</u>	<u>(137,757)</u>	<u>(166,355)</u>	<u>(28,598)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ 8,481</u>	<u>\$ 8,481</u>	<u>\$ 176,935</u>	<u>\$ 168,454</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
TOURIST DEVELOPMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 6,120,000	\$ 6,120,000	\$ 6,026,597	\$ (93,403)
State and local funds	500,000	500,000	-	-
Other	30,000	30,000	10,896	(19,104)
Total revenues	<u>6,650,000</u>	<u>6,650,000</u>	<u>6,037,493</u>	<u>(612,507)</u>
Expenditures				
Payroll and benefits	1,661,307	1,625,307	1,452,363	(172,944)
Contract services	42,975	31,175	20,205	(10,970)
Copy Lease	13,265	14,160	15,308	1,148
Data process/software maintenance	56,818	66,659	60,682	(5,977)
Legal and professional	40,060	76,060	78,153	2,093
Insurance	24,379	24,529	25,967	1,438
Repairs and maintenance	7,100	3,692	815	(2,877)
Leasehold Improvements	400	400	-	(400)
Communication	51,000	51,159	47,362	(3,797)
Supplies	10,475	11,136	9,980	(1,156)
Improvements and equipment	12,038	38,377	48,440	10,063
Office rent	104,716	104,716	99,716	(5,000)
Marketing and advertising	2,338,609	2,331,326	2,170,302	(161,024)
Contingency-advertising	190,000	192,000	188,787	(3,213)
Administrative fees	672,000	672,000	672,000	-
Special projects	983,000	952,518	786,787	(165,731)
Collateral	132,700	127,479	102,101	(25,378)
Other	309,159	327,308	312,566	(14,742)
Total expenditures	<u>6,650,001</u>	<u>6,650,001</u>	<u>6,091,534</u>	<u>(558,467)</u>
Revenues over (under) expenditures	(1)	(1)	(54,041)	(54,040)
Excess of revenues over (under) expenditures	<u>(1)</u>	<u>(1)</u>	<u>\$ (54,041)</u>	<u>\$ (54,040)</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
BEACH CLEANING
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 2,583,864	\$ 2,583,864	\$ 2,625,332	\$ 41,468
State and local funds	503,050	503,050	500,097	(2,953)
Other	161,751	161,751	24,720	(137,031)
Total revenues	<u>3,248,665</u>	<u>3,248,665</u>	<u>3,150,149</u>	<u>(98,516)</u>
Expenditures				
Payroll and benefits	1,643,758	1,643,758	1,429,310	(214,448)
Legal and professional	59,684	59,684	54,560	(5,124)
Contract labor	356,000	356,000	310,397	(45,603)
Contract services	34,685	34,685	33,797	(888)
Insurance	77,261	77,261	77,444	183
Repairs and maintenance	80,000	74,911	69,702	(5,209)
Communication	3,650	3,650	1,755	(1,895)
Utilities	15,840	15,881	18,134	2,253
Supplies	47,400	47,564	31,264	(16,300)
Improvement and equipment	107,900	110,825	94,456	(16,369)
Leased equipment	262,023	262,023	249,833	(12,190)
Gasoline	90,000	90,000	64,223	(25,777)
Dumping fee	60,000	60,000	28,431	(31,569)
Interest expense	33,869	33,869	30,436	(3,433)
Storm Repairs	21,456	21,456	15,566	(5,890)
Administrative fees	303,386	303,386	303,386	-
Other	107,046	108,995	66,496	(42,499)
Total expenditures	<u>3,303,958</u>	<u>3,303,948</u>	<u>2,879,190</u>	<u>(424,758)</u>
Revenues over (under) expenditures	(55,293)	(55,283)	270,959	326,242
Other financing sources (uses)				
Loan proceeds	65,000	65,000	-	(65,000)
Loan payments	(60,547)	(60,547)	(39,061)	21,486
Capital lease proceeds	-	-	249,833	249,833
Capital lease payments	-	-	(238,034)	(238,034)
Transfer from (to) other funds	237,197	(537,803)	(537,803)	-
Gain on sale of capital asset	-	-	3,358	3,358
Total other financing sources (uses)	<u>241,650</u>	<u>(533,350)</u>	<u>(561,707)</u>	<u>(28,357)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ 186,357</u>	<u>\$ (588,633)</u>	<u>\$ (290,748)</u>	<u>\$ 297,885</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
BEACH PATROL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 2,380,068	\$ 2,380,068	\$ 2,414,327	\$ 34,259
State and local funds	42,574	42,574	-	-
Other	112,120	112,120	37,628	(74,492)
Total revenues	2,534,762	2,534,762	2,451,955	(82,807)
Expenditures				
Payroll and benefits	1,995,737	1,995,737	1,644,414	(351,323)
Contract services	4,300	4,600	4,064	(536)
Legal and professional	10,707	11,701	11,472	(229)
Insurance	21,381	21,381	22,058	677
Repairs and maintenance	41,025	37,330	32,669	(4,661)
Communication	52,450	55,287	52,558	(2,729)
Memberships and seminars	28,755	27,255	18,448	(8,807)
Supplies	62,375	56,652	56,157	(495)
Gasoline	35,000	35,000	22,024	(12,976)
Improvements and equipment	103,295	133,285	136,564	3,279
Leased equipment	174,319	138,170	139,350	1,180
Office rent	21,500	23,000	22,673	(327)
Interest expense	753	753	-	(753)
Contingency	85,000	85,490	85,486	(4)
Administrative fees	278,007	278,007	278,007	-
Other	170,670	181,626	148,556	(33,070)
Total expenditures	3,085,274	3,085,274	2,674,500	(410,774)
Revenues over (under) expenditures	(550,512)	(550,512)	(222,545)	327,967
Other financing sources (uses)				
Loan proceeds	71,500	71,500	-	(71,500)
Loan payments	(21,500)	(21,500)	-	21,500
Capital lease proceeds	-	-	133,680	133,680
Capital lease payments	-	-	(134,706)	(134,706)
Transfer from (to) other funds	500,511	500,511	500,511	-
Total other financing sources (uses)	550,511	550,511	499,485	(51,026)
Excess of revenues and other sources over (under) expenditures	\$ (1)	\$ (1)	\$ 276,940	\$ 276,941

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
NOURISHED BEACH
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 1,156,068	\$ 1,156,068	\$ 1,197,953	\$ 41,885
State and local funds	2,090,000	2,090,000	2,125,801	35,801
Other	198,072	198,072	141,416	(56,656)
Total revenues	<u>3,444,140</u>	<u>3,444,140</u>	<u>3,465,170</u>	<u>21,030</u>
Expenditures				
Licenses/Permits	600	600	-	(600)
Contract services	27,800	27,800	5,820	(21,980)
Legal and professional	195,480	195,480	148,301	(47,179)
Repairs and maintenance	45,000	45,000	43,050	(1,950)
Equipment rental	30,000	30,000	-	(30,000)
Supplies	6,500	6,500	2,954	(3,546)
Improvements and equipment	58,330	58,439	2,794	(55,645)
Storm repairs	266,084	266,084	39,313	(226,771)
Administrative fees	115,607	115,607	115,607	-
Interest Expense	88,963	88,963	93,095	4,132
Grant	2,280,000	3,055,000	2,930,000	(125,000)
Other	109,050	108,941	101,185	(7,756)
Total expenditures	<u>3,223,414</u>	<u>3,998,414</u>	<u>3,482,119</u>	<u>(516,295)</u>
Revenues over (under) expenditures	220,726	(554,274)	(16,949)	537,325
Other financing sources (uses)				
FEMA reimbursement	179,607	179,607	-	(179,607)
Loan proceeds	55,000	55,000	-	(55,000)
Loan payments	(224,229)	(224,229)	(204,290)	19,939
Transfer from (to) other funds	(231,105)	543,895	543,895	-
Total other financing sources (uses)	<u>(220,727)</u>	<u>554,273</u>	<u>339,605</u>	<u>(214,668)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 322,656</u>	<u>\$ 322,657</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
SUMMARY BUDGETARY COMPARISON SCHEDULE
SAND REPLINISHMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 12,000	\$ 12,000	\$ 3,602	\$ (8,398)
Other	48,142	48,142	-	(48,142)
Total revenues	<u>60,142</u>	<u>60,142</u>	<u>3,602</u>	<u>(56,540)</u>
Expenditures				
Legal and professional	772	772	766	(6)
Administrative fees	158	158	158	-
Total expenditures	<u>930</u>	<u>930</u>	<u>924</u>	<u>(6)</u>
Revenues over (under) expenditures	59,212	59,212	2,678	(56,534)
Other financing sources (uses)				
Transfer from (to) other funds	(59,212)	(59,212)	(122,089)	(62,877)
Total other financing sources (uses)	<u>(59,212)</u>	<u>(59,212)</u>	<u>(122,089)</u>	<u>(62,877)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,411)</u>	<u>\$ (119,411)</u>

The accompanying notes are an integral part of these financial statements.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON
NOTES TO SUMMARY BUDGETARY COMPARISON SCHEDULES

1. Budgets and Budgetary Accounting

Effective October 1, 1980, the Board of Directors of the Park Board adopted the following budgetary process:

At least thirty days prior to October 1st, the executive committee is to submit to the Board of Directors a proposed operating and capital projects budget for the fiscal year commencing October 1st. The proposed budget is to include proposed expenditures and the means of financing them. A statement of capital projects planned for the next succeeding year, with estimates of their costs, is also required to be submitted at that time. One or more official open meetings are held by the Board of Directors to obtain citizen comments. Prior to October 1st, the budget is required to be enacted by the Board of Directors. During the fiscal year the Board of Directors may transfer any unencumbered appropriation balance or portion thereof from one fund to another at any time. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, and enterprise funds.

The basis of accounting for budgetary purposes differs from the basis of accounting (U.S. GAAP) used for the financial statements. Encumbrances are included in the budgets of the governmental funds which constitute a departure from U.S. GAAP.

UNIFORM GUIDANCE – FEDERAL AWARDS SECTION

**PARK BOARD OF TRUSTEE OF THE CITY OF GALVESTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>
Pass-Through Program from:			
<u>Federal Grantor:</u> U. S. Department of Homeland Security/ Federal Emergency Management	97.036		\$ 95,653
<u>Pass-Through Grantor:</u> Texas Department of Public Safety's Division of Emergency Management		DR-1791-TX	
<u>Program Title:</u> Disaster Grant - Public Assistance (Presidentially Declared Disaster)			
Total Federal Expenditures			<u>\$ 95,653</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Park Board of Trustees of the City of Galveston:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board of Trustees of the City of Galveston, Texas (the "Park Board"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements and have issued our report thereon dated February 4, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Park Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Park Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Park Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Park Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Park Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Galveston, Texas
February XX, 2020