

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

**FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT
REQUIRED BY GOVERNMENT AUDITING STANDARDS AND
SCHEDULE OF FEDERAL AWARDS
As of and for the Year Ended September 30, 2022**

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Park Board of Trustees of the City of Galveston, Texas
Galveston, Texas

Report on the Financial Statements

Opinions

We have audited 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"), a component unit of the City of Galveston, Texas, as of and for the year ended September 30, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Park Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the net position at September 30, 2021 has been restated to remove capital assets recorded at inception dating back to 1972. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Park Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT, continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Park Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Park Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis and budgetary comparison information – governmental funds on pages 4-8 and 40–44 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.

Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are 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.

INDEPENDENT AUDITOR'S REPORT, continued

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the summary budgetary comparison schedules of major proprietary funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 28, 2023, 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.

Hamm, Langston & Buzina, LLP

Houston, Texas
March 28, 2023

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

The management of the Park Board of Trustees of the City of Galveston, Texas (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, 2022.

Please read this analysis in conjunction with the Park Board's basic financial statements which begin on page 9. 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.

Financial Highlights

The assets of the Park Board exceeded deferred inflows of resources and liabilities at September 30, 2022 by \$305,097,106 (net position). Of this amount, \$400,509 is restricted for specific purposes based on contractual obligations to creditors and \$25,025,393 is restricted for purposes consistent with the expenditure of hotel occupancy taxes ("HOT"). Long-term liabilities increased from \$1,450,402 to \$1,636,720 during the year due to recognition of lease liability in conjunction with the adoption of a new accounting pronouncement during the period offset by payments on existing debt. The Park Board's unrestricted net position (deficit) increased from \$(1,093,416) as of September 30, 2021 to \$(275,554) at September 30, 2022.

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, 2022. 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, 2022. 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, Tourism Development, Beach Cleaning, Beach Patrol, Nourished Beach, Sand Replenishment, Debt Service, Seawolf Park, R.A. Apffel Park, Dellanera Park, Urban Park, Stewart Beach 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, 2022, all governmental funds except for Sand Replenishment and Debt Service were considered to be major funds.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Fund Financial Statements, continued

- **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, 2022, all proprietary funds except for East End Lagoon 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, 2022, the Park Board had no fiduciary funds.

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.

Other information: In addition to the basic financial statements, this report also contains certain other supplementary information, including summary budgetary comparison schedules for major proprietary funds.

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, 2022, the Park Board's combined net position was \$305,097,106. Of that amount, \$279,946,758 was invested capital assets, net of the debt related to those assets.

Statements of Financial Position

	2022			2021 - as restated		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and other	\$ 36,667,130	\$ 317,943	\$ 36,985,073	\$ 25,841,108	\$ 209,235	\$ 26,050,343
Capital assets	277,545,690	3,690,223	281,235,913	285,723,129	3,231,646	288,954,775
Total assets	<u>\$ 314,212,820</u>	<u>\$ 4,008,166</u>	<u>\$ 318,220,986</u>	<u>\$ 311,564,237</u>	<u>\$ 3,440,881</u>	<u>\$ 315,005,118</u>
LIABILITIES						
Other liabilities	\$ 8,136,777	\$ 2,919,872	\$ 11,056,649	\$ 3,278,910	\$ 3,211,713	\$ 6,490,623
Long-term liabilities ⁽¹⁾	1,536,787	99,933	1,636,720	1,351,066	99,336	1,450,402
Total liabilities	<u>\$ 9,673,564</u>	<u>\$ 3,019,805</u>	<u>\$ 12,693,369</u>	<u>\$ 4,629,976</u>	<u>\$ 3,311,049</u>	<u>\$ 7,941,025</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>\$ 230,837</u>	<u>\$ 199,674</u>	<u>\$ 430,511</u>	<u>\$ 32,500</u>	<u>\$ 176,741</u>	<u>\$ 209,241</u>
NET POSITION						
Invested in capital assets, net of related debt	\$ 276,313,178	\$ 3,633,580	\$ 279,946,758	\$ 284,601,433	\$ 3,166,547	\$ 287,767,980
Restricted for:						
Debt service	400,509	-	400,509	399,063	-	399,063
Hotel occupancy tax	25,025,393	-	25,025,393	19,781,225	-	19,781,225
Unrestricted	2,569,339	(2,844,893)	(275,554)	2,120,040	(3,213,456)	(1,093,416)
Total net position	<u>\$ 304,308,419</u>	<u>\$ 788,687</u>	<u>\$ 305,097,106</u>	<u>\$ 306,901,761</u>	<u>\$ (46,909)</u>	<u>\$ 306,854,852</u>

(1) Long-term liabilities include the portion of long-term liabilities due within one year.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Government-Wide Summary and Analysis, continued

Statements of Activities

	2022			2021 - as restated		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUE						
Program revenue:						
Charges for services	\$ 659,376	\$ 5,893,758	\$ 6,553,134	\$ 704,571	\$ 5,952,566	\$ 6,657,137
Operating grants	3,717,083	2,307,822	6,024,905	2,772,244	385,451	3,157,695
Total program revenue	4,376,459	8,201,580	12,578,039	3,476,815	6,338,017	9,814,832
General revenue:						
Hotel occupancy tax	19,473,368	-	19,473,368	15,969,817	-	15,969,817
Investment earnings	37,130	-	37,130	13,408	-	13,408
Lease revenue	43,984	-	43,984	-	-	-
Gain on sale of capital assets	189,200	21,400	210,600	28,379	62,601	90,980
Capital asset contributions	5,698,780	-	5,698,780	2,186,787	-	2,186,787
Transfers	730,734	(730,734)	-	752,148	(752,148)	-
Total general revenue	26,173,196	(709,334)	25,463,862	18,950,539	(689,547)	18,260,992
Total revenue	30,549,655	7,492,246	38,041,901	22,427,354	5,648,470	28,075,824
EXPENSES						
Governmental funds	33,142,997	-	33,142,997	28,430,413	-	28,430,413
Proprietary funds	-	6,656,650	6,656,650	-	5,229,973	5,229,973
Total expenses	33,142,997	6,656,650	39,799,647	28,430,413	5,229,973	33,660,386
Change in net position	(2,593,342)	835,596	(1,757,746)	(6,003,059)	418,497	(5,584,562)
Beginning net position, as restated	306,901,761	(46,909)	306,854,852	312,904,820	(465,406)	312,439,414
Ending net position	<u>\$ 304,308,419</u>	<u>\$ 788,687</u>	<u>\$ 305,097,106</u>	<u>\$ 306,901,761</u>	<u>\$ (46,909)</u>	<u>\$ 306,854,852</u>

Governmental Activities

Governmental net position decreased by \$2,593,342. This decrease is due primarily to depreciation of capital assets. Of the total net position, \$2,569,339 in fund balance was unrestricted and available for use as directed by the Board of Trustees.

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 increased by \$835,596. This increase is due primarily to camping, concessionaire revenues, and admissions to the submarine and battleship museum at Seawolf Park coming in higher than budget, and expenditures held under budget.

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, or special projects and capital assets approved by the board will be considered justification for utilizing contingency or fund balances during the annual budget process. For discussion purposes, unless otherwise stated, budget comparisons in the Management's Discussion and Analysis are made to the revised final budget.

Governmental Funds:

The General Government fund receives funding primarily through interfund transfers for administrative fees from the other funds. The amount of each transfer is affected by the amount of HOT or park admissions each fund receives in revenue for the year. General Government transfers were over budget by \$63,923 or 3.5%, caused by increased beach user fees.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Budgetary Highlights, continued

Governmental Funds, continued:

The Tourism Development, Beach Cleaning, Beach Patrol and Nourished Beach funds receive revenue from HOT collections. HOT collections were over budget \$6,948,368 or 55.5%. Budgeted FEMA reimbursements not received totaled \$4,166,827. Budgeted state and local funds not received totaled \$100,000 related to a beach maintenance reimbursement grant budgeted but not received. Expenditures during the fiscal year were held under budget by management, except for Beach Cleaning. The difference between budgeted and actual expenditures for Beach Cleaning is due primarily to capital asset acquisitions and improvements during the period. The capital asset acquisitions included heavy equipment such as a frontend loader and a motor grader needed to clean the beaches and maintain a drainage project completed at Stewart Beach in fiscal year ending September 30, 2022. All governmental funds showed revenues in excess of expenditures.

Enterprise Funds:

Final budgeted revenue was set at \$8,229,101 exclusive of FEMA and use of reserves. Final budgeted FEMA reimbursements or advances were \$933,180; of that amount, \$801,056; 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 reimbursements. Total park admissions were over the final revised budget by 23.9%, or \$88,000. Enterprise fund expenditures were under budget except for Urban Park, caused by increased administrative fees and revenue sharing expenses with the City of Galveston.

Capital Asset and Long-Term Debt Activity

For the year ended September 30, 2022, capital asset purchases and transfers include:

	<u>Park Board (Purchases)</u>	<u>Moody Gardens (Transferred)</u>
Buildings and improvements	\$ 371,062	\$ 1,678,787
Equipment	1,201,012	1,467,342
Furniture and fixtures	8,289	2,435,240
Vehicles	9,200	117,411
	<u>\$ 1,589,563</u>	<u>\$ 5,698,780</u>

Maintenance Facility: The construction of this facility was completed in 2008. As of September 30, 2022, the mortgage principal balance was \$334,285.

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, 2022, the line balance was \$35,500.

Park Board Plaza: Renovations were financed using a municipal lease program in 2010. As of September 30, 2022, the balance of the lease was \$461,566.

Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2022

The Park Board recognized FEMA cost reimbursements of \$989,268 for the year ended September 30, 2022 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 completed or started, these expected reimbursements as expenses of the fund.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2022, continued

As of September 30, 2022 and 2021, the following are the accumulated deficits for each affected fund:

	<u>Net Deficit 2022</u>	<u>Net Deficit 2021</u>
General Government	\$ (824,757)	\$ (920,932)
Sand Replenishment	(1,539)	(1,539)
R.A. Apfel Park	(1,496,943)	(1,856,478) ⁽²⁾
Dellanera Park	<u>(1,178,572)</u>	<u>(1,608,431)⁽²⁾</u>
Total	<u>\$ (3,501,811)</u>	<u>\$ (4,387,380)</u>

(2) As restated.

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, 2022

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, 2022, 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	\$ (682,829)	\$ 21,447	\$ 355,098

Contacting the Park Board of Trustees Management

This financial report is designed to provide the citizens of the City of Galveston, Texas, 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, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Petty cash	\$ 300	\$ 13,528	\$ 13,828
Pooled cash and cash equivalents	27,734,231	-	27,734,231
Non-pooled cash and cash equivalents	430,463	-	430,463
Investment in gold	23,405	-	23,405
Due from business-type activities	1,799,678	-	1,799,678
Accounts receivable, net	6,232,170	68,772	6,300,942
Lease receivable	202,644	-	202,644
Inventory	5,667	8,872	14,539
Prepaid expenses	231,271	226,771	458,042
Other	7,301	-	7,301
Right-of-use lease assets, net	370,618	21,143	391,761
Capital assets, net	277,175,072	3,669,080	280,844,152
Total assets	\$ 314,212,820	\$ 4,008,166	\$ 318,220,986
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,149,558	\$ 449,932	\$ 5,599,490
Due to governmental activities	-	1,799,678	1,799,678
Due to Arts and Historic Preservation	1,321,974	-	1,321,974
Due to City of Galveston	1,663,781	670,262	2,334,043
Accrued interest payable	1,464	-	1,464
Long-term liabilities:			
Due within one year:			
Lines of credit	-	35,500	35,500
Notes payable	334,285	-	334,285
Lease obligations	336,367	7,743	344,110
Due in more than one year:			
Accrued vacation and sick pay	304,275	43,103	347,378
Lease obligations	561,860	13,587	575,447
Total liabilities	\$ 9,673,564	\$ 3,019,805	\$ 12,693,369
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	\$ 194,262	\$ -	\$ 194,262
Unearned revenue	36,575	199,674	236,249
Total deferred inflows of resources	\$ 230,837	\$ 199,674	\$ 430,511
NET POSITION			
Invested in capital assets, net of related debt	\$ 276,313,178	\$ 3,633,580	\$ 279,946,758
Restricted for debt service	400,509	-	400,509
Restricted hotel occupancy taxes	25,025,393	-	25,025,393
Unrestricted net position (deficit)	2,569,339	(2,844,893)	(275,554)
Total net position	\$ 304,308,419	\$ 788,687	\$ 305,097,106

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 16,572,608	\$ 265,970	\$ -	\$ (16,306,638)	\$ -	\$ (16,306,638)
Tourism Development	6,560,806	184,403	-	(6,376,403)	-	(6,376,403)
Beach Cleaning	3,272,184	30,945	388,212	(2,853,027)	-	(2,853,027)
Beach Patrol	3,061,721	31,405	311,000	(2,719,316)	-	(2,719,316)
Nourished Beach	3,675,678	146,653	3,017,871	(511,154)	-	(511,154)
Total governmental activities	33,142,997	659,376	3,717,083	(28,766,538)	-	(28,766,538)
Business-type activities:						
Seawolf Park	1,319,277	1,246,187	219,209	-	146,119	146,119
R. A. Apffel Park	620,656	755,745	393,368	-	528,457	528,457
Dellanera Park	747,765	1,128,794	142,264	-	523,293	523,293
Urban Park	1,690,332	1,882,728	-	-	192,396	192,396
Stewart Beach	2,274,357	830,304	1,552,981	-	108,928	108,928
East End Lagoon	4,263	50,000	-	-	45,737	45,737
Total business-type activities	6,656,650	5,893,758	2,307,822	-	1,544,930	1,544,930
Total government	\$ 39,799,647	\$ 6,553,134	\$ 6,024,905	\$ (28,766,538)	\$ 1,544,930	\$ (27,221,608)
General revenues:						
Hotel occupancy tax				\$ 19,473,368	\$ -	\$ 19,473,368
Investment earnings				37,130	-	37,130
Lease revenue				43,984	-	43,984
Gain on sale of capital assets				189,200	21,400	210,600
Capital asset contributions				5,698,780	-	5,698,780
Transfers				730,734	(730,734)	-
Total general revenues and transfers				26,173,196	(709,334)	25,463,862
Change in net position				(2,593,342)	835,596	(1,757,746)
Net position, beginning, as restated				306,901,761	(46,909)	306,854,852
Net position, ending				\$ 304,308,419	\$ 788,687	\$ 305,097,106

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

FUND FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
GOVERNMENTAL FUNDS - BALANCE SHEET
SEPTEMBER 30, 2022

	General Government	Tourism Development	Beach Cleaning	Beach Patrol
ASSETS				
Petty cash	\$ 200	\$ -	\$ -	\$ 100
Pooled cash and cash equivalents	27,734,231	-	-	-
Non-pooled cash and cash equivalents	-	-	-	-
Investment in gold	-	23,405	-	-
Accounts receivable, net	1,119,327	811,039	515,253	464,657
Lease receivable	6,803	-	-	-
Due from other funds	1,792,705	15,327,149	5,555,465	5,782,070
Inventory	-	5,667	-	-
Other	7,301	-	-	-
Total assets	\$ 30,660,567	\$ 16,167,260	\$ 6,070,718	\$ 6,246,827
LIABILITIES				
Accounts payable and accrued liabilities	\$ 514,829	\$ 988,258	\$ 346,751	\$ 167,095
Due to other funds	29,202,274	426,186	-	19,352
Due to Arts and Historic Preservation	97,110	1,224,864	-	-
Due to City of Galveston	1,663,781	-	-	-
Total liabilities	31,477,994	2,639,308	346,751	186,447
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	7,330	-	-	-
Unearned revenue	-	36,575	-	-
Total deferred inflows of resources	7,330	36,575	-	-
FUND BALANCES				
Nonspendable:				
Inventory	-	5,667	-	-
Investment in gold	-	23,405	-	-
Restricted:				
Debt Service	-	-	-	-
Hotel occupancy taxes	-	11,443,495	5,451,456	5,628,119
Committed:				
Sand Replenishment	-	-	-	-
Assigned:				
Tourism Development	-	2,018,810	-	-
Beach Cleaning	-	-	272,511	-
Beach Patrol	-	-	-	432,261
Nourished Beach	-	-	-	-
Unassigned	(824,757)	-	-	-
Total fund balance	(824,757)	13,491,377	5,723,967	6,060,380
Total liabilities, deferred inflows of resources and fund balances	\$ 30,660,567	\$ 16,167,260	\$ 6,070,718	\$ 6,246,827

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
GOVERNMENTAL FUNDS - BALANCE SHEET, CONTINUED
SEPTEMBER 30, 2022

	Non-Major Funds			Total
	Nourished Beach	Sand Replenishment	Debt Service	
ASSETS				
Petty cash	\$ -	\$ -	\$ -	\$ 300
Pooled cash and cash equivalents	-	-	-	27,734,231
Non-pooled cash and cash equivalents	-	232	430,231	430,463
Investment in gold	-	-	-	23,405
Accounts receivable, net	3,321,894	-	-	6,232,170
Lease receivable	-	-	-	6,803
Due from other funds	3,021,594	-	-	31,478,983
Inventory	-	-	-	5,667
Other	-	-	-	7,301
Total assets	\$ 6,343,488	\$ 232	\$ 430,231	\$ 65,919,323
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,132,625	\$ -	\$ -	\$ 5,149,558
Due to other funds	-	1,771	29,722	29,679,305
Due to Arts and Historic Preservation	-	-	-	1,321,974
Due to City of Galveston	-	-	-	1,663,781
Total liabilities	3,132,625	1,771	29,722	37,814,618
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	-	-	-	7,330
Unearned revenue	-	-	-	36,575
Total deferred inflows of resources	-	-	-	43,905
FUND BALANCES				
Nonspendable:				
Inventory	-	-	-	5,667
Investment in gold	-	-	-	23,405
Restricted:				
Debt Service	-	-	400,509	400,509
Hotel occupancy taxes	2,502,323	-	-	25,025,393
Committed:				
Sand Replenishment	-	(1,539)	-	(1,539)
Assigned:				
Tourism Development	-	-	-	2,018,810
Beach Cleaning	-	-	-	272,511
Beach Patrol	-	-	-	432,261
Nourished Beach	708,540	-	-	708,540
Unassigned	-	-	-	(824,757)
Total fund balance	3,210,863	(1,539)	400,509	28,060,800
Total liabilities, deferred inflows of resources and fund balances	\$ 6,343,488	\$ 232	\$ 430,231	\$ 65,919,323

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balance, governmental funds \$ 28,060,800

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. Capital assets of \$589,051,359 are presented net of accumulated depreciation of \$311,876,287 277,175,072

Right-of-use lease asset used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but Right-of-use lease assets of \$470,993 are presented net of accumulated amortization of \$100,375 370,618

Long-term revenues and non-financial receivables are not available to pay current obligations and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Lease receivable	195,841
Deferred lease revenue	(186,932)
Prepaid expenses	231,271

Certain liabilities, including compensated absences and lease obligations, are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Note payable	(334,285)
Accrued interest payable	(1,464)
Accrued vacation and sick pay	(304,275)
Lease obligations	(898,227)

Net position of governmental activities \$ 304,308,419

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General Government</u>	<u>Tourism Development</u>	<u>Beach Cleaning</u>	<u>Beach Patrol</u>
REVENUES				
Hotel occupancy tax	\$ -	\$ 9,877,709	\$ 4,062,294	\$ 3,747,784
State and local funds	-	-	200,000	311,000
Grant proceeds	-	-	-	-
Interest income	35,684	-	-	-
Other	265,970	184,403	30,945	31,405
Total revenues	<u>301,654</u>	<u>10,062,112</u>	<u>4,293,239</u>	<u>4,090,189</u>
EXPENDITURES				
CURRENT:				
Payroll and benefits	1,249,414	2,070,153	2,297,375	2,317,232
Advertising and publicity	-	2,541,193	-	-
Special projects	-	1,061,161	-	-
Other operating costs	663,609	809,862	648,793	542,707
Grant expenditures	-	-	-	-
DEBT SERVICE:				
Note payable payments - principal	-	-	49,967	-
Capital and operating lease payments - principal	196,942	9,393	29,558	83,226
Interest and other charges	33,560	2,062	24,570	11,876
CAPITAL OUTLAYS	<u>6,514</u>	<u>13,785</u>	<u>658,536</u>	<u>64,671</u>
Total expenditures	2,150,039	6,507,609	3,708,799	3,019,712
Excess of revenues (under) over expenditures	(1,848,385)	3,554,503	584,440	1,070,477
OTHER FINANCING SOURCES AND (USES)				
FEMA reimbursements	-	-	188,212	-
Lease revenue	43,984	-	-	-
Transfer from (to) other funds	1,900,576	(809,445)	90,418	331,765
Gain (loss) on sale of capital assets	-	-	166,200	23,000
Total other financing sources and uses	1,944,560	(809,445)	444,830	354,765
Net change in fund balance	96,175	2,745,058	1,029,270	1,425,242
Fund balance, beginning of year	<u>(920,932)</u>	<u>10,746,319</u>	<u>4,694,697</u>	<u>4,635,138</u>
Fund balance, end of year	<u>\$ (824,757)</u>	<u>\$ 13,491,377</u>	<u>\$ 5,723,967</u>	<u>\$ 6,060,380</u>

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Nourished Beach</u>	<u>Non-Major Funds</u>		<u>Total</u>
		<u>Sand Replenishment</u>	<u>Debt Service</u>	
REVENUES				
Hotel occupancy tax	\$ 1,785,581	\$ -	\$ -	\$ 19,473,368
State and local funds	-	-	-	511,000
Grant proceeds	3,017,871	-	-	3,017,871
Interest income	-	-	1,446	37,130
Other	146,653	-	-	659,376
Total revenues	<u>4,950,105</u>	<u>-</u>	<u>1,446</u>	<u>23,698,745</u>
EXPENDITURES				
CURRENT:				
Payroll and benefits	188,338	-	-	8,122,512
Advertising and publicity	-	-	-	2,541,193
Special projects	-	-	-	1,061,161
Other operating costs	431,690	-	-	3,096,661
Grant expenditures	3,055,650	-	-	3,055,650
DEBT SERVICE:				
Note payable payments - principal	-	-	-	49,967
Capital and operating lease payments - principal	-	-	-	319,119
Interest and other charges	-	-	-	72,068
CAPITAL OUTLAYS	<u>-</u>	<u>-</u>	<u>-</u>	<u>743,506</u>
Total expenditures	3,675,678	-	-	19,061,837
Excess of revenues (under) over expenditures	1,274,427	-	1,446	4,636,908
OTHER FINANCING SOURCES AND (USES)				
FEMA reimbursements	-	-	-	188,212
Lease revenue	-	-	-	43,984
Transfer from (to) other funds	(782,580)	-	-	730,734
Gain (loss) on sale of capital assets	-	-	-	189,200
Total other financing sources and uses	(782,580)	-	-	1,152,130
Net change in fund balance	491,847	-	1,446	5,789,038
Fund balance, beginning of year	<u>2,719,016</u>	<u>(1,539)</u>	<u>399,063</u>	<u>22,271,762</u>
Fund balance, end of year	<u>\$ 3,210,863</u>	<u>\$ (1,539)</u>	<u>\$ 400,509</u>	<u>\$ 28,060,800</u>

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

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
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, 2022**

Net change in fund balances, total governmental funds \$ 5,789,038

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 and amortization expense.

Expenditures for capital assets	743,506	
Amortization of right-of-use lease assets	(100,375)	
Capital assets contributed	5,698,780	
Less current year depreciation	(14,990,343)	
		(8,648,432)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are therefore not reported as expenditures in governmental funds.

Decrease in accrued interest		514
Increase in vacation and sick pay		(74,905)

Increase in prepaid expenses		(28,643)
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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.

Principal payments - notes payable	49,967	
Principal payments - capital and operating leases	319,119	
		369,086

Change in net position of governmental activities **\$ (2,593,342)**

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
PROPRIETARY FUNDS - STATEMENT OF FUND NET POSITION
SEPTEMBER 30, 2022

Business-Type Activities - Enterprise Funds

	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Stewart Beach Park	Non-Major Fund East End Lagoon	Total
ASSETS							
Current assets:							
Petty cash	\$ 700	\$ 5,000	\$ 1,128	\$ -	\$ 6,700	\$ -	\$ 13,528
Accounts receivable, net	55,428	7,020	561	-	5,763	-	68,772
Inventory	186	-	6,714	-	1,972	-	8,872
Prepaid expenses	24,142	73,424	23,269	520	105,416	-	226,771
Due from other funds	822,518	-	290,556	711,905	1,160,071	64,268	3,049,318
Total current assets	902,974	85,444	322,228	712,425	1,279,922	64,268	3,367,261
Right-of-use lease asset, net	-	-	21,143	-	-	-	21,143
Property and equipment, net	1,349,630	1,300,160	324,918	-	694,372	-	3,669,080
Total assets	<u>\$ 2,252,604</u>	<u>\$ 1,385,604</u>	<u>\$ 668,289</u>	<u>\$ 712,425</u>	<u>\$ 1,974,294</u>	<u>\$ 64,268</u>	<u>\$ 7,057,484</u>
LIABILITIES AND NET POSITION							
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 43,323	\$ 22,493	\$ 137,784	\$ 36,407	\$ 208,945	\$ 980	\$ 449,932
Lease obligation	-	-	7,743	-	-	-	7,743
Line of credit	-	33,645	-	-	1,855	-	35,500
Due to City of Galveston	-	-	-	670,262	-	-	670,262
Due to other funds	2	2,819,315	1,487,336	-	542,343	-	4,848,996
Total current liabilities	43,325	2,875,453	1,632,863	706,669	753,143	980	6,012,433
Lease obligation, net of current portion	-	-	13,587	-	-	-	13,587
Accrued vacation and sick pay	12,351	7,094	6,391	5,756	11,511	-	43,103
Total liabilities	<u>55,676</u>	<u>2,882,547</u>	<u>1,652,841</u>	<u>712,425</u>	<u>764,654</u>	<u>980</u>	<u>6,069,123</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	-	-	194,020	-	5,154	500	199,674
Total deferred inflows of resources	-	-	194,020	-	5,154	500	199,674
NET POSITION							
Invested in capital assets, net	1,349,630	1,266,515	324,918	-	692,517	-	3,633,580
Unrestricted net position (deficit)	847,298	(2,763,458)	(1,503,490)	-	511,969	62,788	(2,844,893)
Total net position (deficit)	<u>2,196,928</u>	<u>(1,496,943)</u>	<u>(1,178,572)</u>	<u>-</u>	<u>1,204,486</u>	<u>62,788</u>	<u>788,687</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,252,604</u>	<u>\$ 1,385,604</u>	<u>\$ 668,289</u>	<u>\$ 712,425</u>	<u>\$ 1,974,294</u>	<u>\$ 64,268</u>	<u>\$ 7,057,484</u>

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Business-Type Activities - Enterprise Funds

	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Stewart Beach Park	Non-Major Fund East End Lagoon	Total
Operating revenue							
Sales and services	\$ 1,246,187	\$ 755,745	\$ 1,128,794	\$ 1,882,728	\$ 830,304	\$ 50,000	\$ 5,893,758
Grant proceeds	-	-	-	-	1,506,766	-	1,506,766
Total operating expenses	<u>1,246,187</u>	<u>755,745</u>	<u>1,128,794</u>	<u>1,882,728</u>	<u>2,337,070</u>	<u>50,000</u>	<u>7,400,524</u>
Operating expenses							
Costs of sales and services	1,171,057	473,279	688,513	1,690,332	2,184,130	4,263	6,211,574
Depreciation and amortization	130,180	142,407	59,252	-	84,424	-	416,263
Total operating expenses	<u>1,301,237</u>	<u>615,686</u>	<u>747,765</u>	<u>1,690,332</u>	<u>2,268,554</u>	<u>4,263</u>	<u>6,627,837</u>
Operating (loss) income	(55,050)	140,059	381,029	192,396	68,516	45,737	772,687
Non-operating revenues (expenses)							
FEMA reimbursement	219,209	393,368	142,264	-	46,215	-	801,056
Contingency	-	-	-	-	(4,933)	-	(4,933)
Storm repairs	(18,040)	(4,970)	-	-	(870)	-	(23,880)
Gain on sale of equipment	-	9,000	-	-	12,400	-	21,400
Total non-operating revenues	<u>201,169</u>	<u>397,398</u>	<u>142,264</u>	<u>-</u>	<u>52,812</u>	<u>-</u>	<u>793,643</u>
Income before transfers	146,119	537,457	523,293	192,396	121,328	45,737	1,566,330
Transfers, net	<u>(19,798)</u>	<u>(177,922)</u>	<u>(93,434)</u>	<u>(188,273)</u>	<u>(245,840)</u>	<u>(5,467)</u>	<u>(730,734)</u>
Changes in net position	126,321	359,535	429,859	4,123	(124,512)	40,270	835,596
Net position, beginning of year, as restated	<u>2,070,607</u>	<u>(1,856,478)</u>	<u>(1,608,431)</u>	<u>(4,123)</u>	<u>1,328,998</u>	<u>22,518</u>	<u>(46,909)</u>
Net position, end of year	<u><u>\$ 2,196,928</u></u>	<u><u>\$ (1,496,943)</u></u>	<u><u>\$ (1,178,572)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,204,486</u></u>	<u><u>\$ 62,788</u></u>	<u><u>\$ 788,687</u></u>

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Business-Type Activities - Enterprise Funds

	Seawolf Park	R.A. Appfel Park	Dellanera Park	Urban Park	Stewart Beach Park	Non-Major Fund East End Lagoon	Total
Cash flows from operating activities:							
Cash received from customers	\$ 1,203,250	\$ 750,590	\$ 1,150,741	\$ 1,882,728	\$ 2,331,307	\$ 50,500	\$ 7,369,116
Cash paid to suppliers and employees	(1,213,810)	(483,726)	(613,040)	(1,788,707)	(2,056,570)	(5,103)	(6,160,956)
Net cash (used in) provided by operating activities	(10,560)	266,864	537,701	94,021	274,737	45,397	1,208,160
Cash flows from noncapital financing activities:							
Increase (decrease) in due (from) or to General Fund	(2,989)	(460,515)	(478,731)	94,252	(26,241)	(39,930)	(914,154)
Non-operating income (expense)	201,169	388,398	142,264	-	40,412	-	772,243
Transfers to other funds	(19,798)	(177,922)	(93,434)	(188,273)	(245,840)	(5,467)	(730,734)
Net cash provided by (used in) noncapital financing activities	178,382	(250,039)	(429,901)	(94,021)	(231,669)	(45,397)	(872,645)
Cash flows from capital and related financing activities:							
Proceeds from interfund loan	-	-	-	-	524,343	-	524,343
Principal payments on debt obligations	-	(24,775)	(7,453)	-	(4,824)	-	(37,052)
Net cash provided by (used in) capital and related financing activities	-	(24,775)	(7,453)	-	519,519	-	487,291
Cash flows from investing activities:							
Purchase of capital assets	(167,822)	-	(100,248)	-	(577,987)	-	(846,057)
Gain on disposal of capital assets	-	9,000	-	-	12,400	-	21,400
Net cash (used in) provided by investing activities	(167,822)	9,000	(100,248)	-	(565,587)	-	(824,657)
Net increase (decrease) in cash	-	1,050	99	-	(3,000)	-	(1,851)
Cash at beginning of year	700	3,950	1,029	-	9,700	-	15,379
Cash at end of year	\$ 700	\$ 5,000	\$ 1,128	\$ -	\$ 6,700	\$ -	\$ 13,528
Reconciliation of net income (loss) to net cash provided by (used in) operating activities							
Operating (loss) income	\$ (55,050)	\$ 140,059	\$ 381,029	\$ 192,396	\$ 68,516	\$ 45,737	\$ 772,687
Adjustments to reconcile operating income to net cash from operating activities:							
Depreciation and amortization	130,180	142,407	59,252	-	84,424	-	416,263
Increase in accounts receivable	(42,937)	(5,155)	(486)	-	(5,763)	-	(54,341)
Increase in inventory	(186)	-	(2,456)	-	(1,972)	-	(4,614)
(Increase) decrease in prepaid expenses	(3,637)	(13,682)	935	(327)	(34,893)	-	(51,604)
Increase in unearned revenue	-	-	22,433	-	-	500	22,933
Increase (decrease) in accrued vacation	5,567	1,327	(2,205)	(3,935)	8,112	-	8,866
Increase (decrease) in accounts payable and accrued liabilities	(44,497)	1,908	79,199	(94,113)	156,313	(840)	97,970
Net cash (used in) provided by operating activities	\$ (10,560)	\$ 266,864	\$ 537,701	\$ 94,021	\$ 274,737	\$ 45,397	\$ 1,208,160

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

NOTES TO FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Park Board of Trustees of the City of Galveston, Texas (the "Park Board") was established by an ordinance of the City of Galveston, Texas (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, 2022.

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, TEXAS

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 government 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.

Governmental Funds

The Park Board reports major governmental funds as follows:

General Government - 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 Government is the general operating fund.

Tourism 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 and Babe's Beach west of 61st Street.

Proprietary Funds

The Park Board reports major enterprise funds as follows: Seawolf Park, R. A. Apffel Park, Dellanera Park, Urban Park and Stewart Beach Park. 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 Federal Emergency Management Agency ("FEMA") grant revenue received in relation to damages caused to parks and property by Hurricane Ike.

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.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Government-Wide and Proprietary Fund Net Position, continued

- 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 Government Fund, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned – This fund balance is the residual classification for the General Government 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 Government 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.

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.

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

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

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 sixty 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.

Investment in Gold

The Park Board's investment in gold is 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. 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.

Receivables and Allowance for Doubtful Accounts

Accounts receivable at September 30, 2022 related primarily to hotel occupancy taxes occurred before September 30, 2022 but were collected subsequent to year end. All accounts receivable are shown net of any allowances 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, 2022, the Park Board did not record any allowance for doubtful accounts.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
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.

Inventories and Prepaid Expenses

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

Payments made to vendors for services that will benefit periods beyond September 30, 2022 are recorded as prepaid expenses.

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:

	<u>Years</u>
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, TEXAS
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, 2022, 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.

Leases

The Park Board accounts for leases pursuant to the guidance of GASB 87 – *Leases*, which requires lessees to establish a right-of-use ("ROU") lease asset and corresponding lease liability for most operating leases. ROU lease assets are amortized over the term of the lease. Under GASB 87, lessors are required to establish a lease receivable and corresponding deferred lease revenue to be recognized over the term of the lease.

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. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Liabilities

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be paid from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be paid from proprietary fund operations are accounted for in those funds.

The government-wide financial statements and proprietary fund type financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2022, the Park Board's deferred inflows of resources relate to unearned revenue from advance park sales and advertising subscriptions for which services have not yet been provided by the Park Board and deferred lease revenue.

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.

Reclassifications

Certain items have been reclassified in the 2021 financial statements to conform to the 2022 presentation. Such reclassifications had no effect on the Park Board's net position, activities, or cash flows.

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

2. Summary of Significant Accounting Policies, continued

New Accounting Standards

The following standards have been issued, but have not been implemented as they are not yet effective:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements (“SBITAs”) for government end users. This statement (i) defines a SBITA; (ii) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (iii) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (iv) requires note disclosures regarding a SBITA.

GASB Statement No. 99, Omnibus 2022. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues identified during implementation of certain GASB statements.

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. This statement enhances accounting and financial reporting requirements or accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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, 2022, the Park Board’s deposits with financial institutions of \$28,178,522 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>27,678,522</u>
Total bank balance	<u>\$ 28,178,522</u>

4. Fund Net Asset Deficits

The following major funds reflect deficits in total net assets at September 30, 2022:

General Government	\$ (824,757)
R.A. Apffel Park	(1,496,943)
Dellanera Park	<u>(1,178,572)</u>
Total major funds with net asset deficit	<u>\$ (3,500,272)</u>

The fund balance deficit in the General Government Fund was caused partially by the \$1.1 million capital outlay in 2009 related to the improvements made to the Park Board’s headquarters located at 601 Tremont St, Galveston, TX, 77550. The impacts of COVID-19 during 2020 were another contributing factor, as they resulted in interfund transfers to the General Government Fund being reduced significantly due to the loss of revenue in other funds, significantly reducing the sources available to the General Government Fund to cover expenses. Management believes that interfund transfers, operational revenue, and cost controls will be sufficient to eliminate the net asset deficit in the coming years.

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

4. Fund Net Asset Deficits, continued

The net asset deficit at R.A. Appfel Park is primarily the result of a \$1.3 million settlement agreement in March 2000 (civil action No. G-98-619, U.S. District Court for the Southern District of Texas Galveston Division). The final payment of the settlement was made in March 2010. Since 2020, the net asset deficit has decreased due to a consistent year-over-year increase to operational revenues from 2020 to 2022, and FEMA reimbursements being received over the same period. FEMA reimbursements, operational revenue and cost controls should be sufficient to eliminate the net asset deficit in the coming years.

The net asset deficit in Dellanera Park is primarily the result of Hurricane Ike, which occurred in September 2008. The damaged sustained by the park caused it to close in 2009 and 2010 while it underwent repairs. The cost of repairs and the loss of operational revenue during that time contributed significantly to the net asset deficit. Since 2019, the net asset deficit has decreased due to a consistent year-over-year increase to operational revenues from 2019 to 2022 and decreases in operational expense over the same period. FEMA reimbursements, operational revenue and cost controls should be sufficient to eliminate the net asset deficit in the coming years.

5. 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, 2022, the Park Board held investments in gold. 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.

6. 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:

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.

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

6. Fair Value Measurements, continued

The asset 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, 2022.

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Gold	\$ 23,405	\$ -	\$ -	\$ 23,405
Total investments in the fair value hierarchy	<u>\$ 23,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,405</u>

7. Hotel Occupancy Tax

The City of Galveston levies a hotel occupancy tax ("HOT") at a rate of 9.0% of all gross rental revenue and fees associated with occupying the property and readying the property for occupancy. The State of Texas imposes HOT at a rate of 6.0%, and rebates 33.3% of the amount collected back to the City of Galveston. The fees can be used to promote tourism and on projects and events that result in generating more HOT such as transportation systems that serve tourists, maintenance and cleanup of public beaches, piers, etc., tourism advertisements and constructions, and operation and maintenance of a convention center.

The Park Board collects 100% of the local HOT levied directly and retains 44.4% of the total collected. The Park Board distributes the remaining 55.6% to the City of Galveston and the Arts & Historic Preservation. The State of Texas rebates 33.3% of the HOT levied directly by the state to the City of Galveston, who distributes the funds to the Park Board. The funds rebated by the state are used for beach maintenance and security.

As of September 30, 2022, the amount of HOT due to the City of Galveston and the Arts & Historical Preservation were \$1,663,781 and \$1,321,974, respectively. HOT is recognized in the government-wide financial statements in the period in which the taxes are levied and are recognized in the governmental fund financial statements when they are measurable and available, typically within 60 days of the period end.

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

8. Accounts Receivable, Net

As of September 30, 2022, accounts receivable, net consists of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
HOT rebate from State of Texas	\$ 1,000,707	\$ -	\$ 1,000,707
Program reimbursements	3,017,871	-	3,017,871
HOT receivable	2,161,668	-	2,161,668
Program reimbursement from FEMA	-	57,947	57,947
Other	<u>51,924</u>	<u>10,825</u>	<u>62,749</u>
Total accounts receivable, net	<u>\$ 6,232,170</u>	<u>\$ 68,772</u>	<u>\$ 6,300,942</u>

9. Due to City of Galveston

As of September 30, 2022, balances due to the City of Galveston consists of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Hotel occupancy taxes	\$ 1,663,781	\$ -	\$ 1,663,781
Seawall corridor enhancements	<u>-</u>	<u>670,262</u>	<u>670,262</u>
Total due to City of Galveston	<u>\$ 1,663,781</u>	<u>\$ 670,262</u>	<u>\$ 2,334,043</u>

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

10. 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, 2022, the following interfund balances comprise the net interfund receivable and payable reflected in the government-wide statement of net position:

	Receivable Funds - Due From				
	General Government	Tourism Development	Beach Cleaning	Beach Patrol	Nourished Beach
Payable Funds - Due To					
General Government	\$ -	\$ 12,544,577	\$ 5,305,465	\$ 5,532,070	\$ 3,021,594
Tourism Development	426,186	-	-	-	-
Beach Patrol	19,352	-	-	-	-
Sand Replenishment	1,771	-	-	-	-
Debt Service	29,722	-	-	-	-
Seawolf Park	2	-	-	-	-
R.A. Apfel Park	1,315,672	1,127,893	125,000	125,000	-
Dellanera Park	-	1,112,336	125,000	125,000	-
Stewart Beach	-	542,343	-	-	-
	<u>\$ 1,792,705</u>	<u>\$ 15,327,149</u>	<u>\$ 5,555,465</u>	<u>\$ 5,782,070</u>	<u>\$ 3,021,594</u>

	Receivable Funds - Due From, continued					
	Seawolf Park	Dellanera Park	Urban Park	Stewart Beach	East End Lagoon	Total
Payable Funds - Due To						
General Government	\$ 822,518	\$ 290,556	\$ 711,905	\$ 909,321	\$ 64,268	\$ 29,202,274
Tourism Development	-	-	-	-	-	426,186
Beach Patrol	-	-	-	-	-	19,352
Sand Replenishment	-	-	-	-	-	1,771
Debt Service	-	-	-	-	-	29,722
Seawolf Park	-	-	-	-	-	2
R.A. Apfel Park	-	-	-	125,750	-	2,819,315
Dellanera Park	-	-	-	125,000	-	1,487,336
Stewart Beach	-	-	-	-	-	542,343
	<u>\$ 822,518</u>	<u>\$ 290,556</u>	<u>\$ 711,905</u>	<u>\$ 1,160,071</u>	<u>\$ 64,268</u>	<u>\$ 34,528,301</u>

The following is a detail of the interfund receivables and payables:

Due To	Due From	Purpose
Beach Cleaning	Dellanera Park	Negative fund cash amounts
Beach Cleaning	General Government	Pooled cash and cash equivalents
Beach Cleaning	R.A. Apfel Park	Negative fund cash amounts
Beach Patrol	Dellanera Park	Negative fund cash amounts
Beach Patrol	General Government	Pooled cash and cash equivalents
Beach Patrol	R.A. Apfel Park	Negative fund cash amounts
Dellanera Park	General Government	Pooled cash and cash equivalents
East End Lagoon	General Government	Pooled cash and cash equivalents
General Government	Beach Patrol	Cash clearing activity
General Government	Debt Service	Negative fund cash amounts
General Government	R.A. Apfel Park	Negative fund cash amounts
General Government	Sand Replenishment	Negative fund cash amounts
General Government	Seawolf Park	Cash clearing activity
General Government	Tourism Development	Interfund occupancy expenses and funding of pass-through loan to Stewart Beach

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

10. Interfund Balances and Transfers, continued

<u>Due To</u>	<u>Due From</u>	<u>Purpose</u>
Nourished Beach	General Government	Pooled cash and cash equivalents
Stewart Beach	R.A. Apffel Park	Negative fund cash amounts
Stewart Beach	General Government	Pooled cash and cash equivalents
Stewart Beach	General Government	Pooled cash and cash equivalents
Seawolf Park	General Government	Pooled cash and cash equivalents
Tourism Development	Dellanera Park	Negative fund cash amounts
Tourism Development	General Government	Pooled cash and cash equivalents
Tourism Development	R.A. Apffel Park	Negative fund cash amounts
Tourism Development	Stewart Beach	Interfund loan to finance capital asset acquisitions
Urban Park	General Government	Pooled cash and cash equivalents

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. Interfund transfers are as follows for the year ended September 30, 2022:

	<u>Transfer In Fund</u>						<u>Total</u>
	<u>General Government</u>			<u>Beach Cleaning</u>	<u>Beach Patrol</u>	<u>Seawolf Park</u>	
	<u>Administrative Fees</u>	<u>Capital Asset Additions</u>	<u>Debt Service</u>				
Transfer Out Fund							
Tourism Development	\$ 682,525	\$ 13,785	\$ -	\$ -	\$ -	\$ 126,920	\$ 823,230
Beach Cleaning	265,049	658,536	49,967	-	-	-	973,552
Beach Patrol	244,070	64,671	9,925	-	-	-	318,666
Nourished Beach	132,580	-	-	350,000	300,000	-	782,580
Seawolf Park	119,135	-	-	-	27,583	-	146,718
R.A. Apffel Park	64,830	-	-	-	113,092	-	177,922
Dellanera Park	93,434	-	-	-	-	-	93,434
Urban Park	188,273	-	-	-	-	-	188,273
Stewart Beach	110,680	-	-	-	135,160	-	245,840
East End Lagoon	-	-	-	5,467	-	-	5,467
	<u>\$ 1,900,576</u>	<u>\$ 736,992</u>	<u>\$ 59,892</u>	<u>\$ 355,467</u>	<u>\$ 575,835</u>	<u>\$ 126,920</u>	<u>\$ 3,755,682</u>

The following is a detail of the interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>
Tourism Development	General Government	Administrative services and capital asset additions
Beach Cleaning	General Government	Administrative services, debt service payments and capital asset additions
Beach Patrol	General Government	Administrative services, debt service payments and capital asset additions
Nourished Beach	General Government	Administrative services
Stewart Beach	General Government	Administrative services
Seawolf Park	General Government	Administrative services
R.A. Apffel Park	General Government	Administrative services
Dellanera Park	General Government	Administrative services
Urban Park	General Government	Administrative services
Nourished Beach	Beach Cleaning	Cleaning and maintenance services
East End Lagoon	Beach Cleaning	Cleaning and maintenance services
Nourished Beach	Beach Patrol	Patrol and lifeguarding services
Stewart Beach	Beach Patrol	Patrol and security services
Seawolf Park	Beach Patrol	Patrol and security services
R.A. Apffel Park	Beach Patrol	Patrol and security services
Tourism Development	Seawolf Park	Maintenance and repairs

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

11. Capital Assets

For the year ended September 30, 2022, capital asset activity is as follows:

	<u>Beginning Balance as restated</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	570,194,536	5,698,780	-	575,893,316
Buildings and improvements	7,544,883	6,514	-	7,551,397
Equipment	2,203,130	728,703	(262,930)	2,668,903
Autos	1,690,154	-	(185,596)	1,504,558
Furniture and fixtures	209,959	8,289	-	218,248
Other improvements	320,675	-	-	320,675
Capital lease office equipment	94,805	-	-	94,805
Right-to-use lease assets	-	470,993	-	470,993
Total capital asset cost	<u>583,057,599</u>	<u>6,913,279</u>	<u>(448,526)</u>	<u>589,522,352</u>
Less accumulated depreciation:				
Contributed assets	287,897,551	3,413,683	-	291,311,234
Buildings and improvements	5,833,015	10,825,207	-	16,658,222
Equipment	1,584,125	246,964	(262,930)	1,568,159
Autos	1,568,270	129,026	(185,596)	1,511,700
Furniture and fixtures	198,985	344,904	-	543,889
Other improvements	230,403	13,066	-	243,469
Capital lease office equipment	22,121	17,493	-	39,614
Right-to-use lease assets	-	100,375	-	100,375
Total accumulated depreciation	<u>297,334,470</u>	<u>15,090,718</u>	<u>(448,526)</u>	<u>311,976,662</u>
Governmental activities capital assets, net	<u>\$ 285,723,129</u>	<u>\$ (8,177,439)</u>	<u>\$ -</u>	<u>\$ 277,545,690</u>
<u>Business-type Activities</u>				
Capital asset cost:				
Buildings and improvements	\$ 10,037,568	\$ 16,900	\$ -	\$ 10,054,468
Equipment	823,711	472,309	(72,148)	1,223,872
Autos	291,371	9,200	-	300,571
Furniture and fixtures	105,162	-	-	105,162
Other improvements	3,903,897	347,648	-	4,251,545
Construction in progress	84,251	-	-	84,251
Right-to-use lease asset	-	28,783	-	28,783
Total capital asset cost	<u>15,245,960</u>	<u>874,840</u>	<u>(72,148)</u>	<u>16,048,652</u>
Less accumulated depreciation:				
Buildings and improvements	8,148,693	187,836	-	8,336,529
Equipment	1,133,542	92,599	(72,148)	1,153,993
Autos	309,081	1,022	-	310,103
Furniture and fixtures	194,306	2,132	-	196,438
Other improvements	2,228,692	125,034	-	2,353,726
Right-to-use lease asset	-	7,640	-	7,640
Total accumulated depreciation	<u>12,014,314</u>	<u>416,263</u>	<u>(72,148)</u>	<u>12,358,429</u>
Business-type activities capital assets, net	<u>\$ 3,231,646</u>	<u>\$ 458,577</u>	<u>\$ -</u>	<u>\$ 3,690,223</u>

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

11. Capital Assets, continued

As of September 30 2022, depreciation expense was charged to governmental and business-type activities as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 14,598,816	Stewart Beach Park	\$ 84,424
Beach Cleaning	283,146	Seawolf Park	130,180
Beach Patrol	186,294	R.A. Apffel Park	142,407
Tourism Development	<u>22,462</u>	Dellanera Park	<u>59,252</u>
Total expense	<u>\$ 15,090,718</u>	Total expense	<u>\$ 416,263</u>

Contributed Capital Assets

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 \$5,698,780 for the year ended September 30, 2022.

Prior Period Adjustment

During the fiscal year, the Park Board and the City of Galveston agreed that management and control of Seawolf Park, R.A. Apffel Park, Dellanera Park, and Stewart Beach does not convey ownership of the land on which the parks sit, and the Park Board made a prior period adjustment to the government-wide and fund financial statements relating to removal of certain historical land values dating back to 1972. The impact of the prior period adjustment on fund financial statements was a correction of error since the Park Board manages the properties but does not own them.

Impact to the Government-Wide Statement of Net Position at September 30, 2021:

	<u>Business-Type Activities</u>
Net position at September 30, 2021, as previously reported	\$ 545,608
To remove historical land value	<u>(592,517)</u>
Net position at September 30, 2021, as restated	<u>\$ (46,909)</u>

Impact to the Fund Level Statement of Fund Net Position:

	<u>Proprietary Funds</u>			
	<u>Seawolf Park</u>	<u>R.A. Apffel Park</u>	<u>Dellanera Park</u>	<u>Stewart Beach</u>
Net position at September 30, 2021, as previously reported	\$ 2,360,438	\$ (1,852,427)	\$ (1,542,625)	\$ 1,561,827
To remove historical land value	<u>(289,831)</u>	<u>(4,051)</u>	<u>(65,806)</u>	<u>(232,829)</u>
Net position at September 30, 2021, as restated	<u>\$ 2,070,607</u>	<u>\$ (1,856,478)</u>	<u>\$ (1,608,431)</u>	<u>\$ 1,328,998</u>

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

12. Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 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	\$ 384,252	\$ -	\$ (49,967)	\$ 334,285	\$ 334,285
Lease obligations	<u>737,444</u>	<u>479,902</u>	<u>(319,119)</u>	<u>898,227</u>	<u>336,367</u>
Total long-term debt	<u>1,121,696</u>	<u>479,902</u>	<u>(369,086)</u>	<u>1,232,512</u>	<u>670,652</u>
Other long-term liabilities:					
Compensated absences	<u>229,370</u>	<u>142,655</u>	<u>(67,750)</u>	<u>304,275</u>	<u>-</u>
Total other liabilities	<u>229,370</u>	<u>142,655</u>	<u>(67,750)</u>	<u>304,275</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,351,066</u>	<u>\$ 622,557</u>	<u>\$ (436,836)</u>	<u>\$ 1,536,787</u>	<u>\$ 670,652</u>
<u>Business-Type Activities</u>					
Long-term debt:					
Lines of credit	\$ 65,099	\$ -	\$ (29,599)	\$ 35,500	\$ 35,500
Lease obligations	<u>-</u>	<u>35,931</u>	<u>(14,601)</u>	<u>21,330</u>	<u>7,743</u>
Total long-term debt	<u>65,099</u>	<u>35,931</u>	<u>(44,200)</u>	<u>56,830</u>	<u>43,243</u>
Other long-term liabilities:					
Compensated absences	<u>34,237</u>	<u>17,732</u>	<u>(8,866)</u>	<u>43,103</u>	<u>-</u>
Total other liabilities	<u>34,237</u>	<u>17,732</u>	<u>(8,866)</u>	<u>43,103</u>	<u>-</u>
Total long-term liabilities	<u>\$ 99,336</u>	<u>\$ 53,663</u>	<u>\$ (53,066)</u>	<u>\$ 99,933</u>	<u>\$ 43,243</u>

Lines of Credit

Effective December 2, 2021, 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, automobile and equipment purchases. Interest, at a rate of 1.95% per annum, is due and payable monthly based on the amount drawn beginning in December 2021. Principal and accrued unpaid interest is due and payable on November 30, 2023. As of September 30, 2022, the balance of the line of credit was \$35,500.

Effective July 28, 2022, 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. At September 30, 2022, no balance is outstanding on this 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. The Park Board intends to renew the loan agreement. As of September 30, 2022, the balance of the loan is \$334,285. Principal and interest maturities for the next five fiscal years are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	<u>\$ 334,285</u>	<u>\$ 7,931</u>
Total	<u>\$ 334,285</u>	<u>\$ 7,931</u>

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

12. Long-Term Liabilities, continued

Interest Expense

Interest expense on long-term debt of \$53,666 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.

13. Leases

Lease Obligations

Effective October 1, 2021, the Park Board adopted the provisions of GASB 87 – *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Pursuant to GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. At September 30, 2022, the Park Board reported \$919,557 of lease obligations.

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, 2022, the balance of the agreement is \$461,566.

Principal maturities are as follows:

<u>Year Ended</u>	<u>Amount</u>
2023	\$ 198,110
2024	209,027
2025	<u>54,429</u>
Total	<u>\$ 461,566</u>

During fiscal year 2022, the Park Board had one outstanding capital lease agreement with Kansas State Bank (“Lessor”) for the lease/purchase of a vehicle which expired on August 27, 2022. Principal and interest payments were due and payable in annual installments until maturity when all remaining principal and accrued unpaid interest was paid. The Park Board had 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, 2022, the balance of this agreement was paid in full, and no amounts remain outstanding.

On August 1, 2020, the Park Board entered into a lease agreement with TLC Office Systems (“Lessor”) for the lease of certain office equipment. Payments are due monthly through maturity on August 1, 2025.

The Park Board has entered into various lease agreements with Enterprise Fleet Management (“Lessor”) for the lease of certain vehicles used in the Park Board’s operations. Payments are due monthly through maturity in March 2026.

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

13. Leases, continued

Lease Obligations, continued

The following is a summary of right-to-use and capital lease assets at September 30, 2022:

<u>Classification</u>	<u>Lessor</u>	<u>Gross Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Net Asset Balance</u>
Capital lease assets				
Governmental Activities:				
Office Equipment	TLC Office Systems	\$ 94,805	\$ (39,614)	\$ 55,191
Total capital lease assets		<u>\$ 94,805</u>	<u>\$ (39,614)</u>	<u>\$ 55,191</u>
Right-of-use lease assets - operating leases				
Governmental Activities:				
Vehicles	Enterprise Fleet Management	\$ 470,993	\$ (100,375)	\$ 370,618
Business-Type Activities:				
Vehicles	Enterprise Fleet Management	28,783	(7,640)	21,143
Total right-of-use lease assets		<u>\$ 499,776</u>	<u>\$ (108,015)</u>	<u>\$ 391,761</u>

During the year ended September 30, 2022, the Park Board recognized depreciation and amortization expense on capital leases and right-of-use assets as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Depreciation on capital lease – office equipment	\$ 17,493	\$ -	\$ 17,493
Amortization of right-of-use assets - vehicles	<u>100,375</u>	<u>7,640</u>	<u>108,015</u>
Total	<u>\$ 117,868</u>	<u>\$ 7,640</u>	<u>\$ 125,508</u>

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

13. Leases, continued

Lease Obligations, continued

The following is a summary of lease liabilities at September 30, 2022:

<u>Governmental Activities</u>				
<u>Year Ending September 30,</u>	<u>Classification</u>	<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>
2023				
	Office Equipment	\$ 22,903	\$ 2,985	\$ 19,918
	Vehicles	132,749	14,410	118,339
	Total	155,652	17,395	138,257
2024				
	Office Equipment	22,903	1,777	21,126
	Vehicles	133,477	9,141	124,336
	Total	156,380	10,918	145,462
2025				
	Office Equipment	19,086	506	18,580
	Vehicles	115,706	3,614	112,092
	Total	134,792	4,120	130,672
2026				
	Vehicles	22,544	274	22,270
	Total	22,544	274	22,270
	Total office equipment	64,892	5,268	59,624
	Total vehicles	404,476	27,439	377,037
	Total lease commitments	<u>\$ 469,368</u>	<u>\$ 32,707</u>	<u>\$ 436,661</u>
<u>Business-Type Activities</u>				
<u>Year Ending September 30,</u>	<u>Classification</u>	<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>
2023				
	Vehicles	\$ 8,428	\$ 685	\$ 7,743
2024				
	Vehicles	8,428	382	8,046
2025				
	Vehicles	5,621	80	5,541
	Total lease commitments	<u>\$ 22,477</u>	<u>\$ 1,147</u>	<u>\$ 21,330</u>

During the year ended September 30, 2022, the Park Board recognized interest expense of \$18,895 on lease liabilities.

Lease Receivable and Deferred Lease Revenue

On December 30, 2016, the Park Board entered into a lease agreement with the United States Postal Service ("Lessee") for the lease of certain office space. Payments are due monthly through maturity on February 28, 2022 and the lease contains three optional five year renewal periods. The Park Board has generally included these renewal periods in the lease term when it is reasonably certain that the Park Board will exercise the renewal option. The Park Board's lease arrangement does not contain any material residual value guarantees. As the interest rate implicit in the Park Board's lease is not readily determinable, the Park Board utilizes its incremental borrowing rate to discount the lease payments. The lease has been renewed for the first renewal period from February 28, 2022 to February 27, 2027.

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

13. Leases, continued

Lease Receivable and Deferred Lease Revenue, continued

As of September 30, 2022, the Park Board has recorded lease receivables of \$202,644, and corresponding deferred inflows of resources of \$194,262 related to the lease agreement. During the year ended September 30, 2022, the Park Board recognized lease revenue of \$43,984 pursuant to the lease agreement.

Minimum lease payments receivable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 41,754	\$ 9,919	\$ 51,673
2024	44,065	7,608	51,673
2025	46,504	5,169	51,673
2026	49,078	2,594	51,672
2027	21,243	288	21,531
Total	<u>\$ 202,644</u>	<u>\$ 25,578</u>	<u>\$ 228,222</u>

The total amount of inflows of resources from the lease during the year ended September 30, 2022 are as follows:

	Governmental Activities
Lease revenue	\$ 43,984
Interest revenue	<u>12,014</u>
Total inflows of resources from leases	<u>\$ 55,998</u>

14. Defined Contribution Plan

The Park Board contributes to the Galveston Park Board Defined Contribution Plan (the "Contribution Plan"), which is a defined contribution pension plan. Any employee of the Park Board is eligible to participate in the Contribution Plan upon attaining the age of twenty and one-half years and the completion of six months of service. Employee contributions vest immediately while contributions made by the Park Board vest upon a graduating scale from twenty percent after two years of service to 100% after six 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 of each participant's eligible contributions. Participants must contribute at least three percent of eligible compensation in order to receive the employer matching contribution. During the year ended September 30, 2022, the Park Board made employer matching contributions of \$209,940.

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

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

15. Risk Management

The Park Board is exposed to various risks of loss related to damage and destruction of assets, theft, errors and omissions, injuries to employees and natural disasters. The Park Board has commercial insurance policies for liability and property insurance.

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

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

16. 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 ("GLO") 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.

Texas General Land Office – During the year ending September 30, 2022, the Park Board received \$1,090,705 from the Industrial Development Corporation ("IDC") through an Economic Development Grant Agreement (the "ED Grant"), which was used to fund a draining project at Stewart Beach. This funding was part of a \$13,000,000 total commitment by the Park Board for funding of two cycles of a beneficial dredging project for Babe's Beach in Galveston, Texas in 2021 and 2023. The Park Board's commitment to this project is expected to be funded by grants from the IDC through the ED Grant and the Texas Commission on Environmental Quality ("TCEQ") through funds made available by the 2012 Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States ("RESTORE") Act.

As of September 30, 2022, included in accounts receivable are federal reimbursements of \$3,017,871 from the TCEQ under the RESTORE program grant.

Federal Emergency Management Agency – During the year ending September 30, 2022, the Park Board received \$931,321 in federal reimbursements and there were \$57,947 of outstanding receivables at year end representing federal reimbursements.

17. 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.

18. Subsequent Events

In December 2022, the City Council of Galveston passed Ordinance No. 22-073 which required the Park Board to transfer to the City all HOT funds in its possession in excess of an amount equal to 120 days of reserves and an additional amount equal to 112 days of maintenance and operational funds for the first quarter of fiscal year 2023. Additionally, pursuant to Ordinance No. 22-073, City staff and the Park Board have contracted to formalize the delivery and use of HOT by the Park Board for the period beginning from April 1, 2023 and ending on September 30, 2023. Allocations of HOT to the Park Board through September 30, 2023 will be governed by this contract. Applications for HOT funds by the Park Board for each budget year beginning October 1, 2023 and thereafter shall be submitted to the City as part of the normal budget review process. The Park Board will continue to collect HOT for the City until September 30, 2023. Responsibility for collection of HOT funds after September 30, 2023 will be agreed to at a future date.

Management has evaluated subsequent events through March 28, 2023, the date the financial statements were available to be issued and has concluded that there were no other significant events to be reported.

REQUIRED SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
GENERAL GOVERNMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Administrative fees	\$ 1,836,653	\$ 1,836,653	\$ -	\$ 1,900,576 ⁽¹⁾	\$ 1,900,576	\$ 63,923
Hotel occupancy tax	-	75,000	-	-	-	(75,000)
Interest income	12,000	12,000	35,684	-	35,684	23,684
Other revenues	499,203	424,203	265,970	-	265,970	(158,233)
Total revenues	<u>2,347,856</u>	<u>2,347,856</u>	<u>301,654</u>	<u>1,900,576</u>	<u>2,202,230</u>	<u>(145,626)</u>
Expenditures						
Payroll and benefits	1,250,531	1,250,531	1,249,414	38,728 ⁽²⁾	1,288,142	37,611
Contract services	84,975	84,975	76,299	-	76,299	(8,676)
Copy lease	1,809	1,809	1,809	-	1,809	-
Data processing and software maintenance	74,017	74,017	90,709	-	90,709	16,692
Legal and professional	109,000	109,000	78,121	-	78,121	(30,879)
Insurance	127,503	127,503	88,042	-	88,042	(39,461)
Repairs and maintenance	77,050	77,050	30,863	-	30,863	(46,187)
Communication	25,616	25,616	28,704	-	28,704	3,088
Utilities	29,000	29,000	24,281	-	24,281	(4,719)
Supplies	15,550	15,550	15,313	-	15,313	(237)
Gasoline	1,750	1,750	359	-	359	(1,391)
Improvements and equipment	45,500	45,500	24,696	-	24,696	(20,804)
Meetings and seminars	11,250	11,250	10,369	-	10,369	(881)
Interest expense	31,283	31,283	33,560	(418) ⁽⁴⁾	33,142	1,859
Other expenditures	306,107	306,107	200,558	(24,274) ⁽³⁾	176,284	(129,823)
Total expenditures	<u>2,190,941</u>	<u>2,190,941</u>	<u>1,953,097</u>	<u>14,036</u>	<u>1,967,133</u>	<u>(223,808)</u>
Revenues over (under) expenditures	156,915	156,915	(1,651,443)	1,886,540	235,097	78,182
Other financing sources (uses)						
Capital lease payments	(187,764)	(187,764)	(196,942)	9,393 ⁽¹⁾	(187,549)	215
Lease revenue	42,000	42,000	43,984	-	43,984	1,984
Transfer from (to) other funds	-	-	1,900,576	(1,900,576) ⁽¹⁾	-	-
Operating lease payments	(11,151)	(11,151)	-	(9,393) ⁽¹⁾	(9,393)	1,758
Total other financing sources (uses)	<u>(156,915)</u>	<u>(156,915)</u>	<u>1,747,618</u>	<u>(1,900,576)</u>	<u>(152,958)</u>	<u>3,957</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,175</u>	<u>\$ (14,036)</u>	<u>\$ 82,139</u>	<u>\$ 82,139</u>

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

⁽²⁾ The change in accrued compensated absences are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽³⁾ The change in prepaid expenses are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽⁴⁾ The change in accrued interest is not included in the statements of revenues, expenditures and changes in fund balance as it does not require the use of current financial resources.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
TOURISM DEVELOPMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Hotel occupancy tax	\$ 6,243,750	\$ 6,243,750	\$ 9,877,709	\$ -	\$ 9,877,709	\$ 3,633,959
Other revenues	2,335,170	2,335,170	184,403	-	184,403	(2,150,767)
Total revenues	8,578,920	8,578,920	10,062,112	-	10,062,112	1,483,192
Expenditures						
Payroll and benefits	2,090,752	2,087,252	2,070,153	9,927 ⁽¹⁾	2,080,080	(7,172)
Contract services	122,625	138,325	90,592	-	90,592	(47,733)
Copy lease	1,764	1,764	1,764	-	1,764	-
Data processing and software maintenance	111,123	111,123	103,502	-	103,502	(7,621)
Legal and professional	91,500	93,100	90,341	-	90,341	(2,759)
Insurance	19,572	19,572	24,238	-	24,238	4,666
Repairs and maintenance	25,720	18,020	10,438	-	10,438	(7,582)
Communication	52,380	52,450	43,935	-	43,935	(8,515)
Supplies	11,680	12,395	14,652	-	14,652	2,257
Improvements and equipment	61,578	68,578	50,000	-	50,000	(18,578)
Office rent	86,836	86,836	82,516	-	82,516	(4,320)
Marketing and advertising	2,606,586	2,617,186	2,541,193	-	2,541,193	(75,993)
Interest expense	-	-	2,062	-	2,062	2,062
Gasoline	1,000	2,200	2,611	-	2,611	411
Administrative fees	682,525	682,525	-	682,525 ⁽³⁾	682,525	-
Special projects	1,800,500	1,795,800	1,061,161	-	1,061,161	(734,639)
Collateral	151,700	142,275	107,666	-	107,666	(34,609)
Other expenditures	339,320	327,760	201,392	42,980 ⁽²⁾	244,372	(83,388)
Total expenditures	8,257,161	8,257,161	6,498,216	735,432	7,233,648	(1,023,513)
Revenues over (under) expenditures	321,759	321,759	3,563,896	(735,432)	2,828,464	2,506,705
Other financing sources (uses)						
Transfer from (to) other funds	(308,758)	(308,758)	(809,445)	682,525 ⁽³⁾	(126,920)	181,838
Lease payments	(13,001)	(13,001)	(9,393)	-	(9,393)	3,608
Total other financing sources (uses)	(321,759)	(321,759)	(818,838)	682,525	(136,313)	185,446
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ 2,745,058	\$ (52,907)	\$ 2,692,151	\$ 2,692,151

⁽¹⁾ The change in accrued compensated absences are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽²⁾ The change in prepaid expenses are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽³⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
BEACH CLEANING
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts	Variance
	Original	Final	Actual	Reconciling Items	(Budgetary Basis)	with Final
					(See Note 1)	Budget
						Over (Under)
Revenues						
Hotel occupancy tax	\$ 2,650,486	\$ 2,650,486	\$ 4,062,294	\$ -	\$ 4,062,294	\$ 1,411,808
State and local funds	300,000	300,000	200,000	-	200,000	(100,000)
Other revenues	422,153	422,653	30,945	-	30,945	(391,708)
Total revenues	<u>3,372,639</u>	<u>3,373,139</u>	<u>4,293,239</u>	<u>-</u>	<u>4,293,239</u>	<u>920,100</u>
Expenditures						
Payroll and benefits	2,494,463	2,495,063	2,297,375	19,856 ⁽²⁾	2,317,231	(177,832)
Legal and professional	97,855	97,855	69,355	-	69,355	(28,500)
Copy lease	50	50	-	-	-	(50)
Data processing and software maintenance	5,761	5,761	3,914	-	3,914	(1,847)
Contract services	59,697	59,697	43,539	-	43,539	(16,158)
Insurance	95,831	95,831	94,726	-	94,726	(1,105)
Repairs and maintenance	68,500	62,684	74,831	-	74,831	12,147
Communication	16,548	16,548	18,249	-	18,249	1,701
Utilities	18,000	18,000	17,744	-	17,744	(256)
Supplies	61,980	55,740	48,009	-	48,009	(7,731)
Improvement and equipment	263,400	268,490	682,028	-	682,028	413,538
Leased equipment	10,710	10,710	22,272	-	22,272	11,562
Gasoline	64,000	64,000	178,969	-	178,969	114,969
Dumping fee	57,000	57,000	39,922	-	39,922	(17,078)
Interest expense	22,011	22,011	24,570	(66) ⁽⁴⁾	24,504	2,493
Storm repairs	2,260	2,260	145	-	145	(2,115)
Administrative fees	265,049	265,049	-	265,049 ⁽¹⁾	265,049	-
Other expenditures	21,160	27,026	13,626	1,622 ⁽³⁾	15,248	(11,778)
Total expenditures	<u>3,624,275</u>	<u>3,623,775</u>	<u>3,629,274</u>	<u>286,461</u>	<u>3,915,735</u>	<u>291,960</u>
Revenues over (under) expenditures	(251,636)	(250,636)	663,965	(286,461)	377,504	628,140
Other financing sources (uses)						
Loan payments	(49,600)	(49,600)	(49,967)	-	(49,967)	(367)
FEMA reimbursement	123,472	123,472	188,212	-	188,212	64,740
Capital lease payments	(56,490)	(56,490)	(29,558)	-	(29,558)	26,932
Transfer from (to) other funds	355,467	355,467	90,418	265,049 ⁽¹⁾	355,467	-
Gain on sale of capital assets	-	-	166,200	-	166,200	166,200
Total other financing sources (uses)	<u>372,849</u>	<u>372,849</u>	<u>365,305</u>	<u>265,049</u>	<u>630,354</u>	<u>257,505</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ 121,213</u>	<u>\$ 122,213</u>	<u>\$ 1,029,270</u>	<u>\$ (21,412)</u>	<u>\$ 1,007,858</u>	<u>\$ 885,645</u>

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

⁽²⁾ The change in accrued compensated absences are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽³⁾ The change in prepaid expenses are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽⁴⁾ The change in accrued interest is not included in the statements of revenues, expenditures and changes in fund balance as it does not require the use of current financial resources.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
BEACH PATROL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	Actual	Reconciling Items	(See Note 1)	Over (Under)
Revenues						
Hotel occupancy tax	\$ 2,440,694	\$ 2,440,694	\$ 3,747,784	\$ -	\$ 3,747,784	\$ 1,307,090
State and local funds	311,000	311,000	311,000	-	311,000	-
Other revenues	721,551	721,551	31,405	-	31,405	(690,146)
Total revenues	<u>3,473,245</u>	<u>3,473,245</u>	<u>4,090,189</u>	<u>-</u>	<u>4,090,189</u>	<u>616,944</u>
Expenditures						
Payroll and benefits	2,451,922	2,451,922	2,317,232	4,979 ⁽¹⁾	2,322,211	(129,711)
Contract services	11,620	11,620	5,338	-	5,338	(6,282)
Legal and professional	586,750	587,444	127,434	-	127,434	(460,010)
Copy lease	1,200	1,200	-	-	-	(1,200)
Data processing and software maintenance	16,107	16,107	13,716	-	13,716	(2,391)
Insurance	35,062	35,062	38,031	-	38,031	2,969
Repairs and maintenance	45,617	45,617	33,574	-	33,574	(12,043)
Communication	17,222	18,543	18,178	-	18,178	(365)
Supplies	44,932	44,932	17,499	-	17,499	(27,433)
Gasoline	38,000	38,000	38,996	-	38,996	996
Improvements and equipment	93,770	93,770	86,079	-	86,079	(7,691)
Office rent	105,600	105,600	105,600	-	105,600	-
Interest expense	-	-	11,876	(30) ⁽³⁾	11,846	11,846
Leased equipment	8,771	8,771	1,119	-	1,119	(7,652)
Administrative fees	244,070	244,070	-	244,070 ⁽⁴⁾	244,070	-
Other expenditures	224,099	222,084	121,814	1,163 ⁽²⁾	122,977	(99,107)
Total expenditures	<u>3,924,742</u>	<u>3,924,742</u>	<u>2,936,486</u>	<u>250,182</u>	<u>3,186,668</u>	<u>(738,074)</u>
Revenues over (under) expenditures	(451,497)	(451,497)	1,153,703	(250,182)	903,521	1,355,018
Other financing sources (uses)						
Lease payments	(124,340)	(124,340)	(83,226)	-	(83,226)	41,114
Transfer from other funds	575,837	575,837	331,765	244,070 ⁽⁴⁾	575,835	(2)
Gain on sale of capital assets	-	-	23,000	-	23,000	23,000
Total other financing sources (uses)	<u>451,497</u>	<u>451,497</u>	<u>271,539</u>	<u>244,070</u>	<u>515,609</u>	<u>64,112</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,425,242</u>	<u>\$ (6,112)</u>	<u>\$ 1,419,130</u>	<u>\$ 1,419,130</u>

⁽¹⁾ The change in accrued compensated absences are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽²⁾ The change in prepaid expenses are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽³⁾ The change in accrued interest is not included in the statements of revenues, expenditures and changes in fund balance as it does not require the use of current financial resources.

⁽⁴⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
NOURISHED BEACH
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Hotel occupancy tax	\$ 1,190,070	\$ 1,190,070	\$ 1,785,581	\$ -	\$ 1,785,581	\$ 595,511
Grant proceeds	5,633,080	5,633,080	3,017,871	-	3,017,871	(2,615,209)
Other revenues	621,096	621,096	146,653	-	146,653	(474,443)
Total revenues	7,444,246	7,444,246	4,950,105	-	4,950,105	(2,494,141)
Expenditures						
Payroll and benefits	176,665	231,392	188,338	1,414 ⁽¹⁾	189,752	(41,640)
Contract services	7,000	7,000	6,240	-	6,240	(760)
Legal and professional	351,091	351,091	316,311	-	316,311	(34,780)
Repairs and maintenance	40,000	41,000	28,959	-	28,959	(12,041)
Communication	900	900	1,119	-	1,119	219
Supplies	52,000	50,307	15,248	-	15,248	(35,059)
Improvements and equipment	31,500	32,948	19,002	-	19,002	(13,946)
Storm repairs	4,701,741	4,701,741	-	-	-	(4,701,741)
Administrative fees	132,580	132,580	-	132,580 ⁽³⁾	132,580	-
Grant expenditures	5,361,607	5,361,607	3,055,650	-	3,055,650	(2,305,957)
Other expenditures	140,729	85,247	44,811	7,152 ⁽²⁾	51,963	(33,284)
Total expenditures	10,995,813	10,995,813	3,675,678	141,146	3,816,824	(7,178,989)
Revenues over (under) expenditures	(3,551,567)	(3,551,567)	1,274,427	(141,146)	1,133,281	4,684,848
Other financing sources (uses)						
FEMA reimbursement	4,231,567	4,231,567	-	-	-	(4,231,567)
Transfer from (to) other funds	(680,000)	(680,000)	(782,580)	132,580 ⁽³⁾	(650,000)	30,000
Total other financing sources (uses)	3,551,567	3,551,567	(782,580)	132,580	(650,000)	(4,201,567)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 491,847	\$ (8,566)	\$ 483,281	\$ 483,281

⁽¹⁾ The change in accrued compensated absences are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽²⁾ The change in prepaid expenses are not included in the statements of revenues, expenditures and changes in fund balance as they do not require the use of current financial resources.

⁽³⁾ These represent reclassifications for budget presentation purposes only.

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

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

1. Budgets and Budgetary Accounting

Effective October 1, 1980, the Board of Trustees 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 Trustees 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 Trustees to obtain citizen comments. Prior to October 1st, the budget is required to be enacted by the Board of Trustees. During the fiscal year the Board of Trustees 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.

SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION

SUMMARY BUDGETARY COMPARISON SCHEDULES

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
SEAWOLF PARK
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Admissions revenue	\$ 368,330	\$ 368,330	\$ 456,330	\$ -	\$ 456,330	\$ 88,000
Fishing revenue	799,380	799,380	726,558	-	726,558	(72,822)
Other revenues	203,359	203,359	63,299	-	63,299	(140,060)
Total revenues	<u>1,371,069</u>	<u>1,371,069</u>	<u>1,246,187</u>	<u>-</u>	<u>1,246,187</u>	<u>(124,882)</u>
Expenditures						
Payroll and benefits	698,449	694,884	628,350	-	628,350	(66,534)
Contract services	43,020	39,070	28,553	-	28,553	(10,517)
Data processing and software maintenance	1,582	1,982	1,662	-	1,662	(320)
Legal and professional	27,250	25,750	9,063	-	9,063	(16,687)
Repairs and maintenance	46,670	45,670	32,070	-	32,070	(13,600)
Communication	10,180	10,180	8,333	-	8,333	(1,847)
Supplies	16,400	16,194	12,414	-	12,414	(3,780)
Improvements and equipment	257,100	258,600	7,536	-	7,536	(251,064)
Storm repairs	812,855	812,855	18,040	-	18,040	(794,815)
Administrative fees	119,135	119,135	-	119,135 ⁽¹⁾	119,135	-
Revenue share with City of Galveston	300,000	300,000	300,000	-	300,000	-
Depreciation expense	-	-	130,180	-	130,180	130,180
Gasoline	3,500	3,500	2,401	-	2,401	(1,099)
Insurance	48,506	50,571	46,597	-	46,597	(3,974)
Utilities	28,200	30,700	35,883	-	35,883	5,183
Security expense	27,584	27,584	-	27,584 ⁽¹⁾	27,584	-
Other expenditures	52,252	56,008	58,195	-	58,195	2,187
Total expenditures	<u>2,492,683</u>	<u>2,492,683</u>	<u>1,319,277</u>	<u>146,719</u>	<u>1,465,996</u>	<u>(1,026,687)</u>
Revenues over (under) expenditures	(1,121,614)	(1,121,614)	(73,090)	(146,719)	(219,809)	901,805
Other financing sources (uses)						
FEMA reimbursement	299,835	299,835	219,209	-	219,209	(80,626)
Transfer from (to) other funds	308,758	308,758	(19,798)	146,719 ⁽¹⁾	126,921	(181,837)
Total other financing sources (uses)	<u>608,593</u>	<u>608,593</u>	<u>199,411</u>	<u>146,719</u>	<u>346,130</u>	<u>(262,463)</u>
Excess of revenues and other sources over expenditures	<u>\$ (513,021)</u>	<u>\$ (513,021)</u>	<u>\$ 126,321</u>	<u>\$ -</u>	<u>\$ 126,321</u>	<u>\$ 639,342</u>

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
R.A. APFFEL PARK
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Beach user fees	\$ 529,000	\$ 529,000	\$ 668,530	\$ -	\$ 668,530	\$ 139,530
Other revenues	296,771	296,771	87,215	-	87,215	(209,556)
Total revenues	<u>825,771</u>	<u>825,771</u>	<u>755,745</u>	<u>-</u>	<u>755,745</u>	<u>(70,026)</u>
Expenditures						
Payroll and benefits	307,560	307,560	267,247	-	267,247	(40,313)
Contract services	18,255	18,255	21,101	-	21,101	2,846
Data processing and software maintenance	1,832	1,832	1,400	-	1,400	(432)
Legal and professional	64,988	64,988	4,562	-	4,562	(60,426)
Repairs and maintenance	63,221	63,221	19,830	-	19,830	(43,391)
Communication	13,100	13,100	16,688	-	16,688	3,588
Supplies	9,865	9,865	12,639	-	12,639	2,774
Improvements and equipment	47,150	47,150	6,940	-	6,940	(40,210)
Storm repairs	26,634	26,634	4,970	-	4,970	(21,664)
Administrative fees	64,830	64,830	-	64,830 ⁽¹⁾	64,830	-
Leased equipment	7,147	7,147	7,187	-	7,187	40
Grant expenditures	7,500	7,500	-	-	-	(7,500)
Gasoline	4,000	4,000	2,798	-	2,798	(1,202)
Insurance	97,066	97,066	83,154	-	83,154	(13,912)
Interest expense	1,400	1,400	915	-	915	(485)
Utilities	5,800	5,800	5,184	-	5,184	(616)
Depreciation expense	-	-	142,407	-	142,407	142,407
Security expense	113,093	113,093	-	113,092 ⁽¹⁾	113,092	(1)
Other expenditures	57,564	57,564	23,634	-	23,634	(33,930)
Total expenditures	<u>911,005</u>	<u>911,005</u>	<u>620,656</u>	<u>177,922</u>	<u>798,578</u>	<u>(112,427)</u>
Revenues over (under) expenditures	(85,234)	(85,234)	135,089	(177,922)	(42,833)	42,401
Other financing sources (uses)						
Loan payments	(28,900)	(28,900)	-	-	-	28,900
FEMA reimbursement	133,317	133,317	393,368	-	393,368	260,051
Gain on sale of capital assets	-	-	9,000	-	9,000	9,000
Transfer from (to) other funds	80,000	80,000	(177,922)	177,922 ⁽¹⁾	-	(80,000)
Total other financing sources (uses)	<u>184,417</u>	<u>184,417</u>	<u>224,446</u>	<u>177,922</u>	<u>402,368</u>	<u>217,951</u>
Excess of revenues and other sources over expenditures	<u>\$ 99,183</u>	<u>\$ 99,183</u>	<u>\$ 359,535</u>	<u>\$ -</u>	<u>\$ 359,535</u>	<u>\$ 260,352</u>

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
DELLANERA PARK
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Beach user fees	\$ 35,890	\$ 35,890	\$ 220,772	\$ -	\$ 220,772	\$ 184,882
Camping revenue	890,000	890,000	871,006	-	871,006	(18,994)
Other revenues	106,519	106,519	37,016	-	37,016	(69,503)
Total revenues	1,032,409	1,032,409	1,128,794	-	1,128,794	96,385
Expenditures						
Payroll and benefits	376,634	383,618	359,960	-	359,960	(23,658)
Contract services	23,227	32,227	26,238	-	26,238	(5,989)
Data processing and software maintenance	3,437	3,437	3,689	-	3,689	252
Legal and professional	46,088	46,088	4,443	-	4,443	(41,645)
Repairs and maintenance	35,660	53,660	48,458	-	48,458	(5,202)
Communication	15,532	15,532	19,269	-	19,269	3,737
Dumping fees	16,000	7,000	2,170	-	2,170	(4,830)
Supplies	11,500	11,615	6,881	-	6,881	(4,734)
Improvements and equipment	176,074	149,731	22,395	-	22,395	(127,336)
Insurance	31,332	31,332	28,590	-	28,590	(2,742)
Interest expense	-	-	975	-	975	975
Storm repairs	2,900	2,900	-	-	-	(2,900)
Administrative fees	93,434	93,434	-	93,434 ⁽¹⁾	93,434	-
Utilities	77,000	77,000	77,645	-	77,645	645
Gasoline	3,000	3,000	3,064	-	3,064	64
Depreciation expense	-	-	51,612	-	51,612	51,612
Amortization of lease asset	-	-	7,640	-	7,640	7,640
Other expenditures	106,992	108,236	84,736	-	84,736	(23,500)
Total expenditures	1,018,810	1,018,810	747,765	93,434	841,199	(177,611)
Revenues over (under) expenditures	13,599	13,599	381,029	(93,434)	287,595	273,996
Other financing sources (uses)						
FEMA reimbursement	469,739	469,739	142,264	-	142,264	(327,475)
Transfer from (to) other funds	-	-	(93,434)	93,434 ⁽¹⁾	-	-
Lease payments	(16,500)	(16,500)	-	-	-	16,500
Total other financing sources (uses)	453,239	453,239	48,830	93,434	142,264	(310,975)
Excess of revenues and other sources over expenditures	\$ 466,838	\$ 466,838	\$ 429,859	\$ -	\$ 429,859	\$ (36,979)

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
URBAN PARK
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Beach user fees	\$ 2,097,269	\$ 2,097,269	\$ 1,882,728	\$ -	\$ 1,882,728	\$ (214,541)
Other revenues	4,800	4,800	-	-	-	(4,800)
Total revenues	<u>2,102,069</u>	<u>2,102,069</u>	<u>1,882,728</u>	<u>-</u>	<u>1,882,728</u>	<u>(219,341)</u>
Expenditures						
Payroll and benefits	607,062	601,626	485,097	-	485,097	(116,529)
Contract services	4,865	4,865	800	-	800	(4,065)
Data processing and software maintenance	2,800	2,800	1,723	-	1,723	(1,077)
Legal and professional	14,500	8,200	3,436	-	3,436	(4,764)
Repairs and maintenance	40,000	40,300	37,634	-	37,634	(2,666)
Office Rent	29,880	29,880	29,880	-	29,880	-
Communication	7,200	13,200	12,731	-	12,731	(469)
Supplies	7,725	9,225	7,140	-	7,140	(2,085)
Improvements and equipment	51,000	51,000	14,964	-	14,964	(36,036)
Leased equipment	6,747	6,747	7,187	-	7,187	440
Administrative fees	124,350	124,350	-	188,273 ⁽¹⁾	188,273	63,923
Gasoline	6,700	11,200	11,711	-	11,711	511
Insurance	8,632	14,068	14,747	-	14,747	679
Revenue share with City of Galveston	525,517	525,517	862,469	-	862,469	336,952
Other expenditures	242,675	236,675	200,813	-	200,813	(35,862)
Total expenditures	<u>1,679,653</u>	<u>1,679,653</u>	<u>1,690,332</u>	<u>188,273</u>	<u>1,878,605</u>	<u>198,952</u>
Revenues over (under) expenditures	<u>422,416</u>	<u>422,416</u>	<u>192,396</u>	<u>(188,273)</u>	<u>4,123</u>	<u>(418,293)</u>
Other financing sources (uses)						
Transfer from (to) other funds	-	-	(188,273)	188,273 ⁽¹⁾	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(188,273)</u>	<u>188,273</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>\$ 422,416</u>	<u>\$ 422,416</u>	<u>\$ 4,123</u>	<u>\$ -</u>	<u>\$ 4,123</u>	<u>\$ (418,293)</u>

⁽¹⁾ These represent reclassifications for budget presentation purposes only.

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
STEWART BEACH
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
Revenues						
Beach user fees	\$ 759,900	\$ 759,900	\$ 602,006	\$ -	\$ 602,006	\$ (157,894)
Grant proceeds	1,451,731	1,484,293	1,506,766	-	1,506,766	22,473
Other revenues	653,590	653,590	228,298	-	228,298	(425,292)
Total revenues	2,865,221	2,897,783	2,337,070	-	2,337,070	(560,713)
Expenditures						
Payroll and benefits	411,566	411,566	349,081	-	349,081	(62,485)
Contract services	45,052	45,052	28,483	-	28,483	(16,569)
Data processing and software maintenance	2,037	2,037	2,200	-	2,200	163
Legal and professional	141,147	141,147	88,925	-	88,925	(52,222)
Repairs and maintenance	139,250	139,250	35,893	-	35,893	(103,357)
Communication	21,100	21,100	17,272	-	17,272	(3,828)
Supplies	10,800	10,800	11,901	-	11,901	1,101
Improvements and equipment	1,008,417	1,008,417	20,714	542,343 ⁽¹⁾	563,057	(445,360)
Storm repairs	1,595	1,595	870	-	870	(725)
Administrative fees	110,680	110,680	-	110,680 ⁽²⁾	110,680	-
Grant expenditures	1,451,731	1,484,293	1,463,521	-	1,463,521	(20,772)
Gasoline	4,000	4,000	3,045	-	3,045	(955)
Insurance	158,607	158,607	94,693	-	94,693	(63,914)
Interest expense	26,900	26,900	92	-	92	(26,808)
Utilities	46,000	46,000	34,420	-	34,420	(11,580)
Depreciation expense	-	-	84,424	-	84,424	84,424
Security expense	135,160	135,160	-	135,160 ⁽²⁾	135,160	-
Other expenditures	61,629	61,629	38,823	-	38,823	(22,806)
Total expenditures	3,775,671	3,808,233	2,274,357	788,183	3,062,540	(745,693)
Revenues over (under) expenditures	(910,450)	(910,450)	62,713	(788,183)	(725,470)	184,980
Other financing sources (uses)						
Interfund loan proceeds	932,000	932,000	-	542,343 ⁽¹⁾	542,343	(389,657)
Loan payments	(51,900)	(51,900)	-	-	-	51,900
FEMA reimbursement	30,289	30,289	46,215	-	46,215	15,926
Transfer from (to) other funds	28,755	28,755	(245,840)	245,840 ⁽²⁾	-	(28,755)
Gain on sale of capital assets	-	-	12,400	-	12,400	12,400
Total other financing sources (uses)	939,144	939,144	(187,225)	788,183	600,958	(338,186)
Excess of revenues and other sources over expenditures	\$ 28,694	\$ 28,694	\$ (124,512)	\$ -	\$ (124,512)	\$ (153,206)

⁽¹⁾ Proceeds from interfund loans are presented as cash provided by financing activities in the proprietary funds - statement of cash flows, but are presented as other financing sources for budgetary purposes.

⁽²⁾ These represent reclassifications for budget presentation purposes only.

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

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE* AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Trustees of
Park Board of Trustees of the City of Galveston, Texas
Galveston, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Park Board of Trustees of the City of Galveston, Texas's (the "Park Board") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Park Board's major federal programs for the year ended September 30, 2022. The Park Board's major federal programs are identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Park Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Park Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal or state program. Our audit does not provide a legal determination of the Park Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Park Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Park Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Park Board's compliance with the requirements of each major federal program as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*, continued

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the Park Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Park Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Park Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questions costs as item 2022-03, that we consider to be a significant deficiency.

The Park Board's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Park Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Park Board as of and for the year ended September 30, 2022, and have issued our report thereon dated March 28, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*, continued

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Hann, Langston & Brazina, LLP

Houston, Texas
March 28, 2023

**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***

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

To the Board of Trustees of
The Park Board of Trustees of the City of Galveston, Texas
Galveston, Texas

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 Park Board of Trustees of the City of Galveston, Texas (the "Park Board") (a component unit of the City of Galveston, Texas), which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board as of and for the year ended September 30, 2022, 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 March 28, 2023.

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 the 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. We identified certain deficiencies in internal control, as described in the accompanying schedule of findings and questions costs as items 2022-01, 2022-02 and 2022-03, that we consider to be significant deficiencies.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hann, Langston & Brezina, LLP

Houston, Texas
March 28, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures
United States Department of Homeland Security Texas Department of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1791-DR-TX	\$ 1,443,328
United States Department of the Treasury Texas Commission on Environmental Quality Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States	21.015	582-20-12032	3,017,817
United States Department of the Interior Texas General Land Office Gulf of Mexico Energy Security Act of 2006 Texas Natural Resources Code, Chapter 33 Coastal Management Program Project of Special Merit	15.435	21-155-003-C875	<u>1,090,705</u>
Total expenditures under federal grants			<u>\$ 5,551,850</u>

See accompanying notes to schedule of expenditures of federal awards.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of the Park Board, under programs of the federal government for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Park Board, it is not intended to, and does not, present the net position or changes in net position of the Park Board. Therefore, amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

The Park Board did not elect to use the 10-percent de minimis indirect cost rate as allowed by the Uniform Guidance.

4. Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036) to reimburse eligible costs associated with repair, replacement or restoration of disaster-damaged facilities. The federal government makes reimbursements in the form of cost-shared grants that require state matching funds. During the year ended September 30, 2022, included in the SEFA are \$1,443,328 of expenditures that were incurred by the Park Board in prior fiscal years.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SECTION I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of independent auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ___ Yes X No
- Significant deficiency identified that is not considered to be a material weakness? X Yes ___ No

Noncompliance material to financial statements noted? ___ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? ___ Yes X No
- Significant deficiency identified that is not considered to be a material weakness? X Yes ___ No

Type of independent auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance*? ___ Yes X No

Identification of major program:

<i>Name of Federal Program</i>	<i>Assistance Listing Number</i>
United States Department of Homeland Security Disaster Grants (Presidentially Declared Disasters)	97.036
United States Department of the Treasury Texas Commission on Environmental Quality Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States	21.015
United States Department of the Interior Texas General Land Office Gulf of Mexico Energy Security Act of 2006, Texas Natural Resources Code, Chapter 33 Coastal Management Program Project of Special Merit	15.435

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ___ Yes X No

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2022-01 Carried Value of Historical Land

Criteria: Capital assets should include only those assets where there is decisive ownership or, if ownership cannot be determined, responsibility for managing the asset may serve as a surrogate for ownership.

Condition: The Park Board was granted management and control of land at several parks and beaches by the City dating back to 1972 and recorded these capital assets in the financial statements. During the year ended September 30, 2022, the Park Board and the City agreed that management and control of these properties, which make up Seawolf Park, R.A. Apffel Park, Dellanera Park, and Stewart Beach, does not convey ownership of the land on which the parks sit, and the Park Board removed the value of the land from their recorded capital assets.

Effect: The financial statements improperly included capital assets that were not owned by the Park Board.

Cause: The historical agreements and grants were improperly recorded as capital assets at inception.

Recommendation: We recommend that the Park Board review and discuss, as applicable, historical capital assets held that, while managed and maintained by the Park Board, may be under the ultimate control of the City to ensure the financial statements are free from material misstatement.

Management Response: The Park Board agrees with this finding and has restated the September 30, 2021 financial statements to reflect the improper recording of capital assets after review of related historical capital assets.

2022-02 FEMA Reimbursements Receivable

Criteria: A receivable for FEMA reimbursements should be accrued in the period in which all requirements and conditions have been satisfied and the reimbursement is approved for proprietary funds.

Condition: The Park Board recorded \$989,268 in FEMA reimbursements, of which \$54,947 was identified by the auditors as an accrued receivable for fiscal year 2022. While the amount is not material for the government-wide financial statements, the identified accrual was of a material amount at the proprietary fund level, which has a lower materiality threshold.

Effect: The financial statements improperly excluded FEMA reimbursements receivable at September 30, 2022.

Recommendation: We recommend that the Park Board review and discuss, as applicable, FEMA reimbursements received subsequent to fiscal year end to determine whether they were approved prior to fiscal year end and, if applicable, ensure they are properly accrued.

Management Response: The Park Board agrees with this finding and has made the proper accrual for FEMA reimbursements receivable in the financial statements for the year ended September 30, 2022. Management will review each FEMA and grant reimbursement received subsequent to fiscal year end and ensure all proper accruals are made, as appropriate.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS

2022-03 Reporting

Information on Federal Program:

Gulf of Mexico Energy Security Act of 2006, Texas Natural Resource Code, Chapter 33, Coastal Management Program Project of Special Merit

Criteria or Specific Requirement:

2 CFR 200.303 of the Uniform Guidance requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Condition:

The four monthly progress reports and final progress report selected for testing did not have any evidence of approval prior to the submission of the report.

Questioned Cost:

There are no questioned costs related to this finding.

Context:

In the testing of the monthly performance reports and final reports due upon completion and the request for reimbursement reports submitted to the grantor under the reporting compliance requirement, the Park Board was not able to provide evidence that such reports were approved prior to submission.

Effect:

The failure to maintain evidence of approval of a report may result in an inaccurate submission to the grantor which can lead to noncompliance with laws and regulations.

Cause:

The Park Board failed to maintain evidence that the required reports submitted to the grantor were approved by authorized personnel prior to submission.

Recommendation:

We recommend that the Park Board maintain evidence of approval by an authorized official of the reports and requests for reimbursements prior to submission to the grantor.

Management Response:

We agree with the finding. The procedure of maintaining appropriate evidence of approval prior to submitting quarterly reports and requests for reimbursement to the grantor will be implemented in fiscal year 2023.

FEDERAL AWARD QUESTIONED COSTS

There were no questioned costs related to the schedule of expenditures of federal and state awards which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance).

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings related to the schedule of expenditures of federal awards for the year ended September 30, 2021 which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance).