

**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, 2023**

**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, 2023, 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, 2023, 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.

#### ***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 40–45 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 19, 2024, 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.

*Hann, Langston & Brezina, LLP*

Houston, Texas  
March 19, 2024

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**

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, 2023.

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, 2023 by \$277,957,586 (net position). Of this amount, \$401,980 and \$123,986 are restricted for specific purposes based on contractual obligations to creditors and grant agreements and \$10,003,670 is restricted for purposes consistent with the expenditure of hotel occupancy taxes ("HOT"). Long-term liabilities increased from \$1,636,720 to \$2,955,293 during the year due to recognition of new lease obligations and subscription-based information technology arrangements ("SBITA") obligations 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) decreased from \$(455,125) as of September 30, 2022 to \$(653,857) at September 30, 2023.

**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, 2023. 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, 2023. 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, 2023, 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, 2023**

**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, 2023, 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, 2023, 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, 2023, the Park Board's combined net position was \$277,957,586. Of that amount, \$268,081,807 was invested capital assets, net of the debt related to those assets.

**Statements of Financial Position**

	<b>2023</b>			<b>2022 - as restated</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>						
Current and other	\$ 28,655,846	\$ 985,958	\$ 29,641,804	\$ 38,614,918	\$ 764,467	\$ 39,379,385
Capital assets	267,150,497	3,521,364	270,671,861	277,545,690	3,690,223	281,235,913
Total assets	<u>\$ 295,806,343</u>	<u>\$ 4,507,322</u>	<u>\$ 300,313,665</u>	<u>\$ 316,160,608</u>	<u>\$ 4,454,690</u>	<u>\$ 320,615,298</u>
<b>LIABILITIES</b>						
Other liabilities	\$ 15,518,799	\$ 2,974,024	\$ 18,492,823	\$ 10,084,565	\$ 2,919,872	\$ 13,004,437
Long-term liabilities <sup>(1)</sup>	2,732,873	222,420	2,955,293	1,536,787	99,933	1,636,720
Total liabilities	<u>\$ 18,251,672</u>	<u>\$ 3,196,444</u>	<u>\$ 21,448,116</u>	<u>\$ 11,621,352</u>	<u>\$ 3,019,805</u>	<u>\$ 14,641,157</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>\$ 319,307</u>	<u>\$ 588,656</u>	<u>\$ 907,963</u>	<u>\$ 230,837</u>	<u>\$ 646,198</u>	<u>\$ 877,035</u>
<b>NET POSITION</b>						
Invested in capital assets net of related debt	\$ 264,726,621	\$ 3,355,186	\$ 268,081,807	\$ 276,313,178	\$ 3,633,580	\$ 279,946,758
Restricted for:						
Debt service	401,980	-	401,980	400,509	-	400,509
Hotel occupancy tax	10,003,670	-	10,003,670	25,025,393	-	25,025,393
Grant	123,986	-	123,986	179,571	-	179,571
Unrestricted	<u>1,979,107</u>	<u>(2,632,964)</u>	<u>(653,857)</u>	<u>2,389,768</u>	<u>(2,844,893)</u>	<u>(455,125)</u>
Total net position	<u>\$ 277,235,364</u>	<u>\$ 722,222</u>	<u>\$ 277,957,586</u>	<u>\$ 304,308,419</u>	<u>\$ 788,687</u>	<u>\$ 305,097,106</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, 2023**

**Government-Wide Summary and Analysis, continued**

**Statements of Activities**

	2023			2022 - as restated		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>REVENUE</b>						
Program revenue:						
Charges for services	\$ 821,425	\$ 5,731,992	\$ 6,553,417	\$ 659,376	\$ 5,893,758	\$ 6,553,134
Operating grants	6,811,951	332,943	7,144,894	3,891,340	2,307,822	6,199,162
Total program revenue	7,633,376	6,064,935	13,698,311	4,550,716	8,201,580	12,752,296
General revenue:						
Hotel occupancy tax	15,636,557	-	15,636,557	19,473,368	-	19,473,368
Investment earnings	37,667	23,625	61,292	37,130	-	37,130
Lease revenue	43,983	45,797	89,780	43,984	-	43,984
Gain on sale of capital assets	26,700	4,115	30,815	189,200	21,400	210,600
Capital asset contributions	3,385,677	-	3,385,677	5,698,780	-	5,698,780
Transfers	757,667	(757,667)	-	730,734	(730,734)	-
Total general revenue	19,888,251	(684,130)	19,204,121	26,173,196	(709,334)	25,463,862
Total revenue	27,521,627	5,380,805	32,902,432	\$ 30,723,912	7,492,246	38,216,158
<b>EXPENSES</b>						
Governmental funds	54,594,682	-	54,594,682	33,317,254	-	33,317,254
Proprietary funds	-	5,447,270	5,447,270	-	6,656,650	6,656,650
Total expenses	54,594,682	5,447,270	60,041,952	33,317,254	6,656,650	39,973,904
<b>Change in net position</b>	(27,073,055)	(66,465)	(27,139,520)	(2,593,342)	835,596	(1,757,746)
<b>Beginning net position</b>	304,308,419	788,687	305,097,106	306,901,761	(46,909)	306,854,852
Ending net position	\$ 277,235,364	\$ 722,222	\$ 277,957,586	\$ 304,308,419	\$ 788,687	\$ 305,097,106

**Governmental Activities**

Governmental net position decreased by \$27,073,055. This decrease is due primarily to depreciation of capital assets and right-of-use lease and SBITA assets and transfer of hotel occupancy tax to City of Galveston. Of the total net position, \$1,979,107 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 decreased by \$66,465. This decrease is due primarily to admissions at R.A. Apffel Park and Federal Emergency Management Agency ("FEMA") grant revenue coming in lower than 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 of administrative fees of \$2,132,597 were under the budgeted amount of \$2,153,319 or 1%, caused by the operational costs were less than budget by Urban Park.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023**

**Budgetary Highlights, continued**

Governmental Funds, continued:

The Tourism Development, Beach Cleaning, Beach Patrol and Nourished Beach funds receive revenue from HOT collections. HOT allocations to the Park Board were under budget by \$488,443 or 3%. Budgeted FEMA reimbursements not received totaled \$2,945,195. 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 over budget mainly caused by the \$13,150,484 transfer of HOT to the City of Galveston. All governmental funds showed expenditures in excess of revenues mainly due to the transfer of HOT to the City of Galveston.

Enterprise Funds:

Final budgeted revenue of \$8,136,131, exclusive of FEMA and use of reserves, was under budget by \$2,409,940 or 30%. Final budgeted FEMA reimbursements or advances were \$2,342,514; of that amount, \$289,073; 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. Enterprise fund expenditures were under budget by \$3,835,437 or 38% caused by certain budgeted special project, improvement and equipment, and storm repair expenditures not incurred.

**Capital Asset, Right-of-Use Lease and SBITA Assets and Long-Term Debt Activity**

For the year ended September 30, 2023, capital asset purchases and transfers include:

	<u>Park Board (Purchases)</u>	<u>Moody Gardens (Transferred)</u>
Buildings and improvements	\$ 31,693	\$ 1,433,456
Equipment	658,178	1,614,316
Vehicles	125,143	40,205
Furniture and fixtures	-	297,700
Other improvements	59,250	-
Construction in progress	297,379	-
Right-of-use lease and SBITA assets	1,994,602	-
	<u>\$ 3,166,245</u>	<u>\$ 3,385,677</u>

Maintenance Facility: The construction of this facility was completed in 2008. As of September 30, 2023, the mortgage principal balance was \$282,211.

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, 2023, the line balance was \$35,019.

Park Board Plaza: Renovations were financed using a municipal lease program in 2010. As of September 30, 2023, the balance of the lease was \$263,597.

Right-of-use lease and SBITA assets: During the year ended September 30, 2023, Park Board entered into new lease obligations and recorded subscription-based information technology arrangements ("SBITA") obligations in conjunction with the adoption of a new accounting pronouncement. As of September 30, 2023, the balance of the lease and SBITA obligations were \$2,009,227.

**Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2023**

The Park Board recognized FEMA cost reimbursements of \$6,233,937 for the year ended September 30, 2023 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, 2023**

**Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2023, continued**

As of September 30, 2023 and 2022, the following are the accumulated deficits for each affected fund:

	<u>Net Deficit 2023</u>	<u>Net Deficit 2022</u>
General Government	\$ (1,374,750)	\$ (824,757)
Sand Replenishment	(1,538)	(1,539)
R.A. Apffel Park	(1,648,416)	(1,496,943)
Dellanera Park	<u>(942,559)</u>	<u>(1,178,572)</u>
Total	<u>\$ (3,967,263)</u>	<u>\$ (3,501,811)</u>

For general government fund, the increase in deficit was due to certain one-time expenses of \$0.5 million during the year ended September 30, 2023, including the severance payment to Chief Executive Officer ("CEO"), fee for searching for a new CEO, and legal costs related to the HOT contract with the City of Galveston.

For R.A. Apffel Park, the increase in deficit was due to the incurred operational expenses higher than budgeted revenues during the year ended September 30, 2023.

For Dellanera Park, the decrease in deficit was due to the increase in the operational revenues and decrease in operational expenses during the year ended September 30, 2023.

In November 2023, the Trustees approved an interfund balance plan that forgives certain interfund debts and transfers unrestricted funds to reduce the fund balance deficit. Once the transfers are made, it is expected that the deficits will be eliminated or substantially reduced.

**Summary of Available Oil Spill Litigation Funds at September 30, 2023**

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, 2023, 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)	\$ 22,692	\$ 356,343

**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](mailto:information@galvestonparkboard.org)

Online: [www.galvestonparkboard.org](http://www.galvestonparkboard.org)

**GOVERNMENT- WIDE FINANCIAL STATEMENTS**

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Petty cash	\$ 300	\$ 12,079	\$ 12,379
Pooled cash and cash equivalents	13,421,551	-	13,421,551
Non-pooled cash and cash equivalents	431,935	-	431,935
Demand deposit	540,000	-	540,000
Investment in gold	26,187	-	26,187
Due from business-type activities	2,278,825	-	2,278,825
Accounts receivable, net	11,451,975	313,480	11,765,455
Lease receivable	160,890	410,149	571,039
Inventory	5,666	14,680	20,346
Prepaid expenses	331,217	235,570	566,787
Other	7,300	-	7,300
Right-of-use lease and SBITA assets, net	1,887,462	130,280	2,017,742
Capital assets, net	265,263,035	3,391,084	268,654,119
<b>Total assets</b>	<b>\$ 295,806,343</b>	<b>\$ 4,507,322</b>	<b>\$ 300,313,665</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 7,486,064	\$ 311,525	\$ 7,797,589
Due to governmental activities	-	2,278,825	2,278,825
Due to City of Galveston	8,031,763	383,674	8,415,437
Accrued interest payable	972	-	972
Long-term liabilities:			
Due within one year:			
Lines of credit	-	35,019	35,019
Notes payable	55,714	-	55,714
Lease and SBITA obligations	721,650	39,111	760,761
Due in more than one year:			
Accrued vacation and sick pay	308,997	56,242	365,239
Notes payable	226,497	-	226,497
Lease and SBITA obligations	1,420,015	92,048	1,512,063
<b>Total liabilities</b>	<b>\$ 18,251,672</b>	<b>\$ 3,196,444</b>	<b>\$ 21,448,116</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred lease revenue	\$ 150,278	\$ 400,727	\$ 551,005
Unearned revenue	169,029	187,929	356,958
<b>Total deferred inflows of resources</b>	<b>\$ 319,307</b>	<b>\$ 588,656</b>	<b>\$ 907,963</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 264,726,621	\$ 3,355,186	\$ 268,081,807
Restricted for debt service	401,980	-	401,980
Restricted hotel occupancy taxes	10,003,670	-	10,003,670
Restricted for grant	123,986	-	123,986
Unrestricted net position (deficit)	1,979,107	(2,632,964)	(653,857)
<b>Total net position</b>	<b>\$ 277,235,364</b>	<b>\$ 722,222</b>	<b>\$ 277,957,586</b>

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, 2023**

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	\$ 19,006,803	\$ 521,805	\$ -	\$ (18,484,998)	\$ -	\$ (18,484,998)
Tourism Development	14,099,109	153,430	3,525	(13,942,154)	-	(13,942,154)
Beach Cleaning	5,920,797	14,420	210,041	(5,696,336)	-	(5,696,336)
Beach Patrol	6,302,447	24,632	62,242	(6,215,573)	-	(6,215,573)
Nourished Beach	9,265,526	107,138	6,536,143	(2,622,245)	-	(2,622,245)
<b>Total governmental activities</b>	<b>54,594,682</b>	<b>821,425</b>	<b>6,811,951</b>	<b>(46,961,306)</b>	<b>-</b>	<b>(46,961,306)</b>
Business-type activities:						
Seawolf Park	1,392,895	1,208,167	4,815	-	(179,913)	(179,913)
R. A. Apffel Park	579,146	591,216	20,750	-	32,820	32,820
Dellanera Park	828,698	1,075,278	93,844	-	340,424	340,424
Urban Park	1,584,586	1,750,657	-	-	166,071	166,071
Stewart Beach	1,033,136	1,056,674	190,239	-	213,777	213,777
East End Lagoon	28,809	50,000	23,295	-	44,486	44,486
<b>Total business-type activities</b>	<b>5,447,270</b>	<b>5,731,992</b>	<b>332,943</b>	<b>-</b>	<b>617,665</b>	<b>617,665</b>
<b>Total government</b>	<b>\$ 60,041,952</b>	<b>\$ 6,553,417</b>	<b>\$ 7,144,894</b>	<b>\$ (46,961,306)</b>	<b>\$ 617,665</b>	<b>\$ (46,343,641)</b>
General revenues:						
Hotel occupancy tax				\$ 15,636,557	\$ -	\$ 15,636,557
Investment earnings				37,667	23,625	61,292
Lease revenue				43,983	45,797	89,780
Gain on sale of capital assets				26,700	4,115	30,815
Capital asset contributions				3,385,677	-	3,385,677
Transfers				757,667	(757,667)	-
<b>Total general revenues and transfers</b>				<b>19,888,251</b>	<b>(684,130)</b>	<b>19,204,121</b>
Change in net position				(27,073,055)	(66,465)	(27,139,520)
<b>Net position, beginning</b>				<b>304,308,419</b>	<b>788,687</b>	<b>305,097,106</b>
<b>Net position, ending</b>				<b>\$ 277,235,364</b>	<b>\$ 722,222</b>	<b>\$ 277,957,586</b>

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, 2023**

	<b>General Government</b>	<b>Tourism Development</b>	<b>Beach Cleaning</b>	<b>Beach Patrol</b>
<b>ASSETS</b>				
Petty cash	\$ 200	\$ -	\$ -	\$ 100
Pooled cash and cash equivalents	13,421,551	-	-	-
Non-pooled cash and cash equivalents	-	-	-	-
Demand deposit	540,000	-	-	-
Investment in gold	-	26,187	-	-
Accounts receivable, net	2,261,581	85,981	4,455	1,638
Lease receivable	7,180	-	-	-
Due from other funds	1,475,823	8,378,133	2,862,867	3,311,832
Inventory	-	5,667	-	-
Other	7,300	-	-	-
<b>Total assets</b>	<b>\$ 17,713,635</b>	<b>\$ 8,495,968</b>	<b>\$ 2,867,322</b>	<b>\$ 3,313,570</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 219,186	\$ 859,343	\$ 58,826	\$ 241,836
Due to other funds	15,097,299	35,626	2,001	7,614
Due to City of Galveston	3,764,570	602,965	14,761	4,035
<b>Total liabilities</b>	<b>19,081,055</b>	<b>1,497,934</b>	<b>75,588</b>	<b>253,485</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred lease revenue	7,330	-	-	-
Unearned revenue	-	15,625	77,704	200
<b>Total deferred inflows of resources</b>	<b>7,330</b>	<b>15,625</b>	<b>77,704</b>	<b>200</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	-	5,667	-	-
Investment in gold	-	26,187	-	-
Restricted:				
Debt Service	-	-	-	-
Hotel occupancy taxes	-	4,934,527	2,441,519	2,627,624
Grants	-	-	-	-
Committed:				
Sand Replenishment	-	-	-	-
Assigned:				
Tourism Development	-	2,016,028	-	-
Beach Cleaning	-	-	272,511	-
Beach Patrol	-	-	-	432,261
Nourished Beach	-	-	-	-
Unassigned	(1,374,750)	-	-	-
<b>Total fund balance</b>	<b>(1,374,750)</b>	<b>6,982,409</b>	<b>2,714,030</b>	<b>3,059,885</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 17,713,635</b>	<b>\$ 8,495,968</b>	<b>\$ 2,867,322</b>	<b>\$ 3,313,570</b>

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, 2023**

	Non-Major Funds			Total
	Nourished Beach	Sand Replenishment	Debt Service	
<b>ASSETS</b>				
Petty cash	\$ -	\$ -	\$ -	\$ 300
Pooled cash and cash equivalents	-	-	-	13,421,551
Non-pooled cash and cash equivalents	-	233	431,702	431,935
Demand deposit	-	-	-	540,000
Investment in gold	-	-	-	26,187
Accounts receivable, net	9,098,320	-	-	11,451,975
Lease receivable	-	-	-	7,180
Due from other funds	1,426,615	-	-	17,455,270
Inventory	-	-	-	5,667
Other	-	-	-	7,300
<b>Total assets</b>	<b>\$ 10,524,935</b>	<b>\$ 233</b>	<b>\$ 431,702</b>	<b>\$ 43,347,365</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 6,106,874	\$ -	\$ -	\$ 7,486,065
Due to other funds	2,412	1,771	29,722	15,176,445
Due to City of Galveston	3,645,432	-	-	8,031,763
<b>Total liabilities</b>	<b>9,754,718</b>	<b>1,771</b>	<b>29,722</b>	<b>30,694,273</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred lease revenue	-	-	-	7,330
Unearned revenue	75,500	-	-	169,029
<b>Total deferred inflows of resources</b>	<b>75,500</b>	<b>-</b>	<b>-</b>	<b>176,359</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	-	-	-	5,667
Investment in gold	-	-	-	26,187
Restricted:				
Debt Service	-	-	401,980	401,980
Hotel occupancy taxes	-	-	-	10,003,670
Grants	123,986	-	-	123,986
Committed:				
Sand Replenishment	-	(1,538)	-	(1,538)
Assigned:				
Tourism Development	-	-	-	2,016,028
Beach Cleaning	-	-	-	272,511
Beach Patrol	-	-	-	432,261
Nourished Beach	570,731	-	-	570,731
Unassigned	-	-	-	(1,374,750)
<b>Total fund balance</b>	<b>694,717</b>	<b>(1,538)</b>	<b>401,980</b>	<b>12,476,733</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,524,935</b>	<b>\$ 233</b>	<b>\$ 431,702</b>	<b>\$ 43,347,365</b>

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, 2023**

**Total fund balance, governmental funds** \$ 12,476,733

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 \$593,186,427 are presented net of accumulated depreciation of \$327,923,392 265,263,035

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 \$2,386,036 are presented net of accumulated amortization of \$498,574 1,887,462

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	153,710
Deferred lease revenue	(142,948)
Prepaid expenses	331,217

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	(545,808)
Accrued interest payable	(972)
Accrued vacation and sick pay	(308,997)
Lease obligations	(1,878,068)

**Net position of governmental activities** \$ 277,235,364

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, 2023**

	<u>General Government</u>	<u>Tourism Development</u>	<u>Beach Cleaning</u>	<u>Beach Patrol</u>
<b>REVENUES</b>				
Hotel occupancy tax	\$ -	\$ 8,485,515	\$ 3,211,727	\$ 2,741,251
State and local funds	-	-	200,000	-
Grant proceeds	-	3,525	-	-
Interest income	34,823	1,369	2	2
Other	521,805	153,430	14,420	24,632
<b>Total revenues</b>	<u>556,628</u>	<u>8,643,839</u>	<u>3,426,149</u>	<u>2,765,885</u>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
Payroll and benefits	1,765,570	2,445,150	2,751,651	3,089,002
Advertising and publicity	-	2,694,502	-	-
Special projects	-	1,643,647	-	-
Other operating costs	884,394	1,093,260	603,452	602,020
Transfer of hotel occupancy tax to City of Galveston	-	6,214,911	2,459,395	2,495,262
Grant expenditures	-	-	-	-
<b>DEBT SERVICE:</b>				
Note payable payments - principal	52,074	-	-	-
Lease and SBITA payments - principal	442,845	15,305	63,926	100,179
Interest and other charges	29,955	2,986	37,071	14,729
<b>CAPITAL OUTLAYS</b>	<u>876,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	4,051,343	14,109,761	5,915,495	6,301,192
Excess of revenues (under) over expenditures	(3,494,715)	(5,465,922)	(2,489,346)	(3,535,307)
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Federal Emergency Management Agency reimbursements	-	-	10,041	62,242
Lease revenue	42,130	-	-	-
Transfer from (to) other funds	2,902,592	(1,043,046)	(530,632)	445,870
Gain (loss) on sale of capital assets	-	-	-	26,700
<b>Total other financing sources and uses</b>	2,944,722	(1,043,046)	(520,591)	534,812
Net change in fund balance	(549,993)	(6,508,968)	(3,009,937)	(3,000,495)
<b>Fund balance, beginning of year</b>	<u>(824,757)</u>	<u>13,491,377</u>	<u>5,723,967</u>	<u>6,060,380</u>
<b>Fund balance, end of year</b>	<u>\$ (1,374,750)</u>	<u>\$ 6,982,409</u>	<u>\$ 2,714,030</u>	<u>\$ 3,059,885</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, 2023**

	<u>Nourished Beach</u>	<u>Non-Major Funds</u>		<u>Total</u>
		<u>Sand Replenishment</u>	<u>Debt Service</u>	
<b>REVENUES</b>				
Hotel occupancy tax	\$ 1,198,064	\$ -	\$ -	\$ 15,636,557
State and local funds	-	-	-	200,000
Grant proceeds	663,562	-	-	667,087
Interest income	-	-	1,471	37,667
Other	107,138	1	-	821,426
<b>Total revenues</b>	<u>1,968,764</u>	<u>1</u>	<u>1,471</u>	<u>17,362,737</u>
<b>EXPENDITURES</b>				
<b>CURRENT:</b>				
Payroll and benefits	323,929	-	-	10,375,302
Advertising and publicity	-	-	-	2,694,502
Special projects	-	-	-	1,643,647
Other operating costs	498,500	-	-	3,681,626
Transfer of hotel occupancy tax to City of Galveston	1,980,916	-	-	13,150,484
Grant expenditures	6,536,642	-	-	6,536,642
<b>DEBT SERVICE:</b>				
Note payable payments - principal	-	-	-	52,074
Capital and operating lease payments - principal	387	-	-	622,642
Interest and other charges	-	-	-	84,741
<b>CAPITAL OUTLAYS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,505</u>
<b>Total expenditures</b>	9,340,374	-	-	39,718,165
Excess of revenues (under) over expenditures	(7,371,610)	1	1,471	(22,355,428)
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Federal Emergency Management Agency reimbursements	5,872,581	-	-	5,944,864
Lease revenue	-	-	-	42,130
Transfer from (to) other funds	(1,017,117)	-	-	757,667
Gain (loss) on sale of capital assets	-	-	-	26,700
<b>Total other financing sources and uses</b>	4,855,464	-	-	6,771,361
Net change in fund balance	(2,516,146)	1	1,471	(15,584,067)
<b>Fund balance, beginning of year</b>	<u>3,210,863</u>	<u>(1,539)</u>	<u>400,509</u>	<u>28,060,800</u>
<b>Fund balance, end of year</b>	<u>\$ 694,717</u>	<u>\$ (1,538)</u>	<u>\$ 401,980</u>	<u>\$ 12,476,733</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, 2023**

**Net change in fund balances, total governmental funds** \$ (15,584,067)

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	876,505	
Amortization of right-of-use lease assets	(402,942)	
Capital assets contributed	3,385,677	
Less current year depreciation	<u>(16,120,513)</u>	(12,261,273)

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	492
Lease receivable	(42,130)
Deferred lease revenue	43,983
Increase in vacation and sick pay	(4,722)

Increase in prepaid expenses 99,946

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	52,074	
Principal payments - capital and operating leases	<u>622,642</u>	<u>674,716</u>

**Change in net position of governmental activities** \$ (27,073,055)

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, 2023**

**Business-Type Activities - Enterprise Funds**

	<b>Seawolf Park</b>	<b>R.A. Appfel Park</b>	<b>Dellanera Park</b>	<b>Urban Park</b>	<b>Stewart Beach Park</b>	<b>Non-Major Fund East End Lagoon</b>	<b>Total</b>
<b>ASSETS</b>							
Current assets:							
Petty cash	\$ 700	\$ 5,000	\$ 1,362	\$ -	\$ 5,017	\$ -	\$ 12,079
Accounts receivable, net	14,156	1,976	93,771	635	179,647	23,295	313,480
Inventory	339	-	11,798	-	2,543	-	14,680
Prepaid expenses	29,628	77,918	27,934	1,760	97,980	350	235,570
Lease receivable	410,149	-	-	-	-	-	410,149
Due from other funds	708,914	-	371,938	503,023	965,054	84,781	2,633,710
Total current assets	1,163,886	84,894	506,803	505,418	1,250,241	108,426	3,619,668
Right-of-use lease and SBITA asset, net	6,919	1,977	15,698	-	105,686	-	130,280
Property and equipment, net	1,254,668	1,209,410	332,093	65,563	529,350	-	3,391,084
Total assets	<u>\$ 2,425,473</u>	<u>\$ 1,296,281</u>	<u>\$ 854,594</u>	<u>\$ 570,981</u>	<u>\$ 1,885,277</u>	<u>\$ 108,426</u>	<u>\$ 7,141,032</u>
<b>LIABILITIES AND NET POSITION</b>							
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 41,780	\$ 22,415	\$ 96,705	\$ 116,017	\$ 33,456	\$ 1,152	\$ 311,525
Lease and SBITA obligation	2,913	832	9,295	-	26,071	-	39,111
Line of credit	-	11,835	-	23,184	-	-	35,019
Due to City of Galveston	5,867	990	6,241	368,032	2,544	-	383,674
Due to other funds	1,197	2,896,581	1,489,009	869	524,879	-	4,912,535
Total current liabilities	51,757	2,932,653	1,601,250	508,102	586,950	1,152	5,681,864
Lease and SBITA obligation, net of current portion	3,601	1,030	7,083	-	80,334	-	92,048
Accrued vacation and sick pay	17,445	8,514	9,445	6,654	14,184	-	56,242
Total liabilities	72,803	2,942,197	1,617,778	514,756	681,468	1,152	5,830,154
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred lease revenue	400,727	-	-	-	-	-	400,727
Unearned income	900	2,500	179,375	-	5,154	-	187,929
Total deferred inflows of resources	401,627	2,500	179,375	-	5,154	-	588,656
<b>NET POSITION</b>							
Invested in capital assets, net	1,255,073	1,197,690	331,413	42,379	528,631	-	3,355,186
Unrestricted net position (deficit)	695,970	(2,846,106)	(1,273,972)	13,846	670,024	107,274	(2,632,964)
Total net position (deficit)	1,951,043	(1,648,416)	(942,559)	56,225	1,198,655	107,274	722,222
Total liabilities, deferred inflows and net position	<u>\$ 2,425,473</u>	<u>\$ 1,296,281</u>	<u>\$ 854,594</u>	<u>\$ 570,981</u>	<u>\$ 1,885,277</u>	<u>\$ 108,426</u>	<u>\$ 7,141,032</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, 2023**

**Business-Type Activities - Enterprise Funds**

	<b>Seawolf Park</b>	<b>R.A. Apfel Park</b>	<b>Dellanera Park</b>	<b>Urban Park</b>	<b>Stewart Beach Park</b>	<b>Non-Major Fund East End Lagoon</b>	<b>Total</b>
<b>Operating revenue</b>							
Sales and services	\$ 1,208,167	\$ 591,216	\$ 1,075,278	\$ 1,750,657	\$ 1,056,674	\$ 50,000	\$ 5,731,992
Grant proceeds	-	20,000	-	-	575	23,295	43,870
<b>Total operating expenses</b>	<b>1,208,167</b>	<b>611,216</b>	<b>1,075,278</b>	<b>1,750,657</b>	<b>1,057,249</b>	<b>73,295</b>	<b>5,775,862</b>
<b>Operating expenses</b>							
Costs of sales and services	1,241,030	435,859	759,018	1,574,080	812,318	28,809	4,851,114
Depreciation and amortization	150,730	143,287	69,535	10,506	218,462	-	592,520
<b>Total operating expenses</b>	<b>1,391,760</b>	<b>579,146</b>	<b>828,553</b>	<b>1,584,586</b>	<b>1,030,780</b>	<b>28,809</b>	<b>5,443,634</b>
<b>Operating (loss) income</b>	<b>(183,593)</b>	<b>32,070</b>	<b>246,725</b>	<b>166,071</b>	<b>26,469</b>	<b>44,486</b>	<b>332,228</b>
<b>Non-operating revenues (expenses)</b>							
Federal Emergency Management Agency reimbursement	4,815	750	93,844	-	189,664	-	289,073
Storm repairs	(1,135)	-	(145)	-	(2,356)	-	(3,636)
Interest income	23,625	-	-	-	-	-	23,625
Lease revenue	45,797	-	-	-	-	-	45,797
Gain (loss) on sale of equipment	6,081	(983)	-	-	(983)	-	4,115
<b>Total non-operating revenues</b>	<b>79,183</b>	<b>(233)</b>	<b>93,699</b>	<b>-</b>	<b>186,325</b>	<b>-</b>	<b>358,974</b>
<b>Income (loss) before transfers</b>	<b>(104,410)</b>	<b>31,837</b>	<b>340,424</b>	<b>166,071</b>	<b>212,794</b>	<b>44,486</b>	<b>691,202</b>
<b>Transfers, net</b>	<b>(141,475)</b>	<b>(183,310)</b>	<b>(104,411)</b>	<b>(109,846)</b>	<b>(218,625)</b>	<b>-</b>	<b>(757,667)</b>
<b>Changes in net position</b>	<b>(245,885)</b>	<b>(151,473)</b>	<b>236,013</b>	<b>56,225</b>	<b>(5,831)</b>	<b>44,486</b>	<b>(66,465)</b>
<b>Net position, beginning of year</b>	<b>2,196,928</b>	<b>(1,496,943)</b>	<b>(1,178,572)</b>	<b>-</b>	<b>1,204,486</b>	<b>62,788</b>	<b>788,687</b>
<b>Net position, end of year</b>	<b>\$ 1,951,043</b>	<b>\$ (1,648,416)</b>	<b>\$ (942,559)</b>	<b>\$ 56,225</b>	<b>\$ 1,198,655</b>	<b>\$ 107,274</b>	<b>\$ 722,222</b>

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, 2023**

**Business-Type Activities - Enterprise Funds**

	<u>Seawolf Park</u>	<u>R.A. Apfel Park</u>	<u>Dellanera Park</u>	<u>Urban Park</u>	<u>Stewart Beach Park</u>	<u>Non-Major Fund East End Lagoon</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ 1,240,917	\$ 618,760	\$ 967,423	\$ 1,750,022	\$ 883,365	\$ 49,500	\$ 5,509,987
Cash paid to suppliers and employees	(1,246,043)	(437,812)	(808,686)	(1,797,041)	(981,816)	(28,987)	(5,300,385)
<b>Net cash (used in) provided by operating activities</b>	<u>(5,126)</u>	<u>180,948</u>	<u>158,737</u>	<u>(47,019)</u>	<u>(98,451)</u>	<u>20,513</u>	<u>209,602</u>
<b>Cash flows from noncapital financing activities:</b>							
Increase (decrease) in due (from) or to							
General Fund	114,799	77,266	(79,709)	209,749	177,553	(20,513)	479,145
Non-operating income (expense)	79,183	(233)	93,699	-	186,325	-	358,974
Transfers to other funds	(141,475)	(183,310)	(104,411)	(109,846)	(218,625)	-	(757,667)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>52,507</u>	<u>(106,277)</u>	<u>(90,421)</u>	<u>99,903</u>	<u>145,253</u>	<u>(20,513)</u>	<u>80,452</u>
<b>Cash flows from capital and related financing activities:</b>							
Line of credit net proceeds	-	(21,810)	-	23,184	(1,855)	-	(481)
<b>Net cash (used in) provided by capital and related financing activities</b>	<u>-</u>	<u>(21,810)</u>	<u>-</u>	<u>23,184</u>	<u>(1,855)</u>	<u>-</u>	<u>(481)</u>
<b>Cash flows from investing activities:</b>							
Purchase of capital and right-of-use lease and SBITA assets	(53,462)	(51,878)	(68,082)	(76,068)	(45,647)	-	(295,137)
Proceeds (payment) on disposal of capital assets	6,081	(983)	-	-	(983)	-	4,115
<b>Net cash used in investing activities</b>	<u>(47,381)</u>	<u>(52,861)</u>	<u>(68,082)</u>	<u>(76,068)</u>	<u>(46,630)</u>	<u>-</u>	<u>(291,022)</u>
<b>Net increase (decrease) in cash</b>	<u>-</u>	<u>-</u>	<u>234</u>	<u>-</u>	<u>(1,683)</u>	<u>-</u>	<u>(1,449)</u>
<b>Cash at beginning of year</b>	<u>700</u>	<u>5,000</u>	<u>1,128</u>	<u>-</u>	<u>6,700</u>	<u>-</u>	<u>13,528</u>
<b>Cash at end of year</b>	<u>\$ 700</u>	<u>\$ 5,000</u>	<u>\$ 1,362</u>	<u>\$ -</u>	<u>\$ 5,017</u>	<u>\$ -</u>	<u>\$ 12,079</u>
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities</b>							
Operating (loss) income	\$ (183,593)	\$ 32,070	\$ 246,725	\$ 166,071	\$ 26,469	\$ 44,486	\$ 332,228
Adjustments to reconcile operating income to net cash from operating activities:							
Depreciation and amortization	148,424	142,628	60,907	10,506	210,669	-	573,134
(Gains) loss on disposal of property and equipment	(6,081)	983	-	-	983	-	(4,115)
Right-of-use lease and SBITA asset amortization	2,306	659	8,628	-	7,793	-	19,386
(Increase) decrease in accounts receivable	41,272	5,044	(93,210)	(635)	(173,884)	(23,295)	(244,708)
(Increase) decrease in lease receivable	36,375	-	-	-	-	-	36,375
(Increase) decrease in inventories	(153)	-	(5,084)	-	(571)	-	(5,808)
(Increase) decrease in prepaid expenses	(5,487)	(4,494)	(4,665)	(1,240)	7,436	(350)	(8,800)
Increase (decrease) in unearned income	900	2,500	(14,645)	-	-	(500)	(11,745)
Increase (decrease) in deferred income	(45,797)	-	-	-	-	-	(45,797)
Increase (decrease) in lease liability	(2,711)	(774)	(8,135)	-	(7,074)	-	(18,694)
Increase (decrease) in accounts payable	9,419	2,332	(31,784)	(221,721)	(170,272)	172	(411,854)
<b>Net cash (used in) provided by operating activities</b>	<u>\$ (5,126)</u>	<u>\$ 180,948</u>	<u>\$ 158,737</u>	<u>\$ (47,019)</u>	<u>\$ (98,451)</u>	<u>\$ 20,513</u>	<u>\$ 209,602</u>
<b>Non-cash Transactions</b>							
Change in lease receivable	<u>\$ 446,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,524</u>
Change in lease and SBITA obligations	<u>\$ 9,225</u>	<u>\$ 2,636</u>	<u>\$ 3,183</u>	<u>\$ -</u>	<u>\$ 113,479</u>	<u>\$ -</u>	<u>\$ 128,523</u>

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, 2023.

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 10<sup>th</sup> to 61<sup>st</sup> Street and Babe's Beach west of 61<sup>st</sup> 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 and Demand Deposit**

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. Demand deposit consist of certificates of deposit with maturities of more 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, 2023 related primarily to hotel occupancy taxes and reimbursable grant expenditures occurred before September 30, 2023 but were collected subsequent to year end and pass-through grant refunds to be payable to grantor. 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, 2023, 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, 2023 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:

	<b>Years</b>
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, 2023, 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 Statement No. 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 Statement No. 87, lessors are required to establish a lease receivable and corresponding deferred lease revenue to be recognized over the term of the lease.

**Subscription-Based Information Technology Arrangements**

The Park Board accounts for subscription-based information technology arrangements pursuant to the guidance of *GASB Statement No. 96, Subscription-Based Information Technology Arrangements ("SBITA")*. 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.

**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, 2023, 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.

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

**2. Summary of Significant Accounting Policies, continued**

**New Accounting Standards**

*GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payments Arrangements (“PPP and APA”)* – This statement establishes accounting and financial reporting requirements for Public-Public Partnerships and Availability Payments Arrangements for governments. This statement has been implemented and there was no material impact to the basic financial statements upon adoption.

*GASB Statement No. 96, SBITA* – This statement establishes uniform accounting and financial reporting requirements for Subscription Based Information Technology Agreements; improves the comparability of government’s financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. This statement has been implemented.

*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. Park Board has implemented the provisions of the GASB statement No. 99 that are effective as of October 1, 2022, and there was no material impact to the basic financial statements upon adoption. Park Board is evaluating the effect of other provisions not yet effective.

*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. This statement has been implemented and there was no material impact to the basic financial statements upon adoption.

*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. Park Board is evaluating the impact that adoption of this Statemtn will have on its financial statements.

**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, 2023, the Park Board’s deposits with financial institutions of \$14,393,486 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>13,893,486</u>
Total bank balance	<u>\$ 14,393,486</u>

**4. Fund Net Asset Deficits**

The following major funds reflect a deficit in total net assets at September 30, 2023:

General Government	\$ (1,374,750)
R.A Apffel Park	(1,648,416)
Dellanera Park	<u>(942,559)</u>
Total major funds with net asset deficit	<u>\$ (3,965,725)</u>

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

**4. Fund Net Asset Deficits, continued**

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 Plaza). The impacts of COVID-19 during 2020 also led to a reduction in interfund transfers to the general fund as a consequence of revenue loss in other funds, significantly limiting the resources available to the general fund to meet its expenses. During the year ended September 30, 2023, Park Board incurred one-time expenses of \$0.5 million, including the severance payment to Chief Executive Officer ("CEO"), fee for searching for a new CEO, and legal costs related to the HOT contract with the City of Galveston that further increased the fund balance deficit.

The net asset deficit at R.A. Apfel 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. The net asset deficit was also caused by incurred operational expenses higher than budgeted revenues.

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.

In November 2023, the Trustees approved an interfund balance plan that forgives certain interfund debts and transfers unrestricted funds to reduce the fund balance deficit.

**5. Investments and Demand Deposit**

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, 2023, 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.

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

**6. Fair Value Measurements, continued**

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

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

The asset 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, 2023.

*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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Gold	\$ 26,187	\$ -	\$ -	\$ 26,187
Total investments in the fair value hierarchy	\$ 26,187	\$ -	\$ -	\$ 26,187

**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 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.

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 ended 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.

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

**7. Hotel Occupancy Tax, continued**

During the year ended September 30, 2023, the Park Board distributed and recorded HOT expenditures of \$13,150,484, and distributed both state and local HOT levied and collected by Park Board subsequent to the effective date of the Ordinance No. 22-073 directly to the City of Galveston. Effective April 1, 2023, Park Board and the City of Galveston entered into a contract for quarterly HOT funding to the Park Board distributed by the City of Galveston based on the Park Board's annual budget approved by Council.

As of September 30, 2023, the amounts of local HOT receivable and payable due to the City of Galveston was \$2,215,966 and \$4,046,987, respectively, and included in the accounts receivable and due to City Galveston, respectively, reflected in the government-wide statement of net position and governmental fund balance sheet. 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.

**8. Accounts Receivable, Net**

As of September 30, 2023, accounts receivable, net consists of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
HOT receivable	\$ 2,215,966	\$ -	\$ 2,215,966
Grant and program reimbursements	3,584,844	23,295	3,608,139
Program reimbursement from FEMA	5,444,264	273,418	5,717,682
Other	<u>206,901</u>	<u>16,767</u>	<u>223,668</u>
Total accounts receivable, net	<u>\$ 11,451,975</u>	<u>\$ 313,480</u>	<u>\$ 11,765,455</u>

**Prior Period Adjustments**

During the fiscal year, the Park Board made the prior period adjustments to the government-wide and fund financial statements relating to recognize the pass-through grant revenues and expenditures from FEMA to the General Land Office ("GLO") of \$174,257 for the year ended September 30, 2022 and the pass-through grant receivables and payables from the Industrial Development Corporation ("IDC") of the City of Galveston to the GLO of \$1,773,531 as of September 30, 2021. The impact of the prior period adjustment on fund financial statements was a change in the estimate of when the funds become measurable and available. There was not any impact to the net position in the government-wide statement and fund balance in the governmental fund statement.

**9. Due to City of Galveston**

As of September 30, 2023, 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	\$ 4,046,987	\$ -	\$ 4,046,987
Grant refunds	3,584,844	-	3,584,844
Seawall corridor enhancements	-	366,549	366,549
Expenditure reimbursement	<u>399,932</u>	<u>17,125</u>	<u>417,057</u>
Total due to City of Galveston	<u>\$ 8,031,763</u>	<u>\$ 383,674</u>	<u>\$ 8,415,437</u>

See prior period adjustments in note 8.

During the year ended September 30, 2023, the Park Board recognized grants from the City of Galveston of \$913,563, of which \$863,563 and \$50,000 were for governmental and business-type activities, respectively. The Park Board also recorded reimbursement and grant expenses of \$2,682,290, and shared advertisement and short term rental registration fee revenue of \$891,838. Of the \$3,574,128 in total recorded expenses and shared revenue, \$1,465,041 and \$2,109,087 were for governmental and business-type activities, respectively.

**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, 2023, 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
<b>Payable Funds - Due to</b>					
General Government	\$ -	\$ 5,741,081	\$ 2,533,597	\$ 3,013,046	\$ 1,426,615
Tourism Development	35,626	-	-	-	-
Beach Cleaning	2,001	-	-	-	-
Beach Patrol	7,614	-	-	-	-
Nourished Beach	2,412	-	-	-	-
Sand Replenishment	1,771	-	-	-	-
Debt Service	29,722	-	-	-	-
Seawolf Park	1,197	-	-	-	-
R.A. Apffel Park	1,392,938	1,127,893	125,000	125,000	-
Dellanera Park	1,673	984,280	204,270	173,786	-
Urban Parking	869	-	-	-	-
Stewart Beach	-	524,879	-	-	-
	<b>\$ 1,475,823</b>	<b>\$ 8,378,133</b>	<b>\$ 2,862,867</b>	<b>\$ 3,311,832</b>	<b>\$ 1,426,615</b>

	Receivable Funds - Due From, continued					Total
	Seawolf Park	Dellanera Park	Urban parking	Stewart Beach	East End Lagoon	
<b>Payable Funds - Due to</b>						
General Government	\$ 708,914	\$ 371,938	\$ 503,023	\$ 714,304	\$ 84,781	\$ 15,097,299
Tourism Development	-	-	-	-	-	35,626
Beach Cleaning	-	-	-	-	-	2,001
Beach Patrol	-	-	-	-	-	7,614
Nourished Beach	-	-	-	-	-	2,412
Sand Replenishment	-	-	-	-	-	1,771
Debt Service	-	-	-	-	-	29,722
Seawolf Park	-	-	-	-	-	1,197
R.A. Apffel Park	-	-	-	125,750	-	2,896,581
Dellanera Park	-	-	-	125,000	-	1,489,009
Urban Parking	-	-	-	-	-	869
Stewart Beach	-	-	-	-	-	524,879
	<b>\$ 708,914</b>	<b>\$ 371,938</b>	<b>\$ 503,023</b>	<b>\$ 965,054</b>	<b>\$ 84,781</b>	<b>\$ 20,088,980</b>

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

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

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS  
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**10. Interfund Balances and Transfers, continue**

Due To	Due From	Purpose
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
Beach Cleaning	General Government	Pooled cash and cash equivalents
Beach Cleaning	R.A. Apffel Park	Negative fund cash amounts
Beach Cleaning	Dellanera 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. Apffel Park	Negative fund cash amounts
Nourished Beach	General Government	Pooled cash and cash equivalents
Seawolf Park	General Government	Pooled cash and cash equivalents
Dellanera Park	General Government	Pooled cash and cash equivalents
Urban Park	General Government	Pooled cash and cash equivalents
Stewart Beach	Dellanera Park	Negative fund cash amounts
Stewart Beach	General Government	Pooled cash and cash equivalents
Stewart Beach	R.A. Apffel Park	Negative fund cash amounts
East End Lagoon	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, 2023:

Transfer Out Fund	Transfer In Fund						Total
	General Government			Beach		Total	
	Administrative Fee	Capital Asset Additions	Debt Service	Cleaning	Beach Patrol		
Tourism Development	\$ 860,368	\$ 182,678	\$ -	\$ -	\$ -	\$ 1,043,046	
Beach Cleaning	339,262	491,403	49,967	-	-	880,632	
Beach Patrol	244,000	32,730	-	-	-	276,730	
Nourished Beach	153,900	13,217	-	350,000	500,000	1,017,117	
Seawolf Park	118,750	-	-	-	22,725	141,475	
RA Apffel	89,935	-	-	-	93,375	183,310	
Dellanera Park	104,411	-	-	-	-	104,411	
Urban Parking	109,846	-	-	-	-	109,846	
Stewart Beach	112,125	-	-	-	106,500	218,625	
	<b>\$ 2,132,597</b>	<b>\$ 720,028</b>	<b>\$ 49,967</b>	<b>\$ 350,000</b>	<b>\$ 722,600</b>	<b>\$ 3,975,192</b>	

The following is a detail of the interfund transfers:

Transfer From	Transfer To	Purpose
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
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
Stewart Beach	General Government	Administrative services
Nourished Beach	Beach Cleaning	Cleaning and maintenance services
Nourished Beach	Beach Patrol	Patrol and lifeguarding services
Seawolf Park	Beach Patrol	Patrol and security services
R.A. Apffel Park	Beach Patrol	Patrol and security services
Stewart Beach	Beach Patrol	Patrol and security services

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

**11. Capital Assets**

For the year ended September 30, 2023, capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Capital asset cost:				
Land	\$ 799,457	\$ -	\$ -	\$ 799,457
Contributed assets	575,893,316	3,385,677	-	579,278,993
Buildings and improvements	5,319,356	11,093	-	5,330,449
Equipment	2,668,903	549,279	-	3,218,182
Autos	1,504,558	78,231	(32,808)	1,549,981
Furniture and fixtures	218,248	-	-	218,248
Other improvements	320,675	-	-	320,675
Construction in Progress	-	237,902	-	237,902
Capital lease equipment	2,232,041	-	-	2,232,041
Right-to-use lease assets	<u>565,798</u>	<u>1,866,080</u>	-	<u>2,431,878</u>
Total capital asset cost	<u>589,522,352</u>	<u>6,128,262</u>	<u>(32,808)</u>	<u>595,617,806</u>
Less accumulated depreciation:				
Contributed assets	302,106,596	15,258,354	-	317,364,950
Buildings and improvements	4,353,357	219,661	-	4,573,018
Equipment	1,618,734	458,985	-	2,077,719
Autos	1,462,650	17,793	(32,808)	1,447,635
Furniture and fixtures	204,223	2,356	-	206,579
Other improvements	243,479	13,076	-	256,555
Capital lease equipment	1,847,634	148,803	-	1,996,437
Right-to-use lease assets	<u>139,989</u>	<u>404,427</u>	-	<u>544,416</u>
Total accumulated depreciation	<u>311,976,662</u>	<u>16,523,455</u>	<u>(32,808)</u>	<u>328,467,309</u>
Governmental activities capital assets, net	<u>\$ 277,545,690</u>	<u>\$ (10,395,193)</u>	<u>\$ -</u>	<u>\$ 267,150,497</u>
<b><u>Business-type Activities</u></b>				
Capital asset cost:				
Buildings and improvements	\$ 10,077,385	\$ 20,600	\$ -	\$ 10,097,985
Equipment	1,223,388	108,899	(75,722)	1,256,565
Autos	290,204	46,912	-	337,116
Furniture and fixtures	108,813	-	-	108,813
Other improvements	4,304,252	59,250	-	4,363,502
Construction in progress	15,826	59,477	-	75,303
Right-to-use lease asset	<u>28,784</u>	<u>128,522</u>	-	<u>157,306</u>
Total capital asset cost	<u>16,048,652</u>	<u>423,660</u>	<u>(75,722)</u>	<u>16,396,590</u>
Less accumulated depreciation:				
Buildings and improvements	8,397,804	193,300	-	8,591,104
Equipment	707,882	215,072	(75,722)	847,232
Autos	281,618	11,947	-	293,565
Furniture and fixtures	104,549	2,132	-	106,681
Other improvements	2,858,935	150,683	-	3,009,618
Right-to-use lease asset	<u>7,640</u>	<u>19,386</u>	-	<u>27,026</u>
Total accumulated depreciation	<u>12,358,428</u>	<u>592,520</u>	<u>(75,722)</u>	<u>12,875,226</u>
Business-type activities capital assets, net	<u>\$ 3,690,224</u>	<u>\$ (168,860)</u>	<u>\$ -</u>	<u>\$ 3,521,364</u>

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

**11. Capital Assets, continued**

As of September 30 2023, depreciation expense was charged to governmental and business-type activities as follows:

<b>Governmental Activities:</b>		<b>Business-type Activities:</b>	
General Government	\$ 15,966,664	Stewart Beach Park	\$ 218,462
Beach Cleaning	369,157	Seawolf Park	150,730
Beach Patrol	149,525	R.A. Appfel Park	143,287
Tourism Development	37,780	Dellanera Park	69,535
Nourished Beach	<u>329</u>	Dellanera Park	<u>10,506</u>
Total expense	<u>\$ 16,523,455</u>	Total expense	<u>\$ 592,520</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 \$3,385,677 for the year ended September 30, 2023.

**12. Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Long-term debt:					
Notes payable	\$ 334,285	\$ -	\$ (52,074)	\$ 282,211	\$ 55,714
Lease obligations	<u>898,227</u>	<u>1,866,080</u>	<u>(622,642)</u>	<u>2,141,665</u>	<u>721,650</u>
Total long-term debt	<u>1,232,512</u>	<u>1,866,080</u>	<u>(674,716)</u>	<u>2,423,876</u>	<u>777,364</u>
Other long-term liabilities:					
Compensated absences	<u>304,275</u>	<u>10,861</u>	<u>(6,139)</u>	<u>308,997</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,536,787</u>	<u>\$ 1,876,941</u>	<u>\$ (680,855)</u>	<u>\$ 2,732,873</u>	<u>\$ 777,364</u>
<b><u>Business-Type Activities</u></b>					
Long-term debt:					
Lines of credit	\$ 35,500	\$ 30,912	\$ (31,393)	\$ 35,019	\$ 35,019
Lease obligations	<u>21,331</u>	<u>128,522</u>	<u>(18,694)</u>	<u>131,159</u>	<u>39,111</u>
Total long-term debt	<u>56,831</u>	<u>159,434</u>	<u>(50,087)</u>	<u>166,178</u>	<u>74,130</u>
Other long-term liabilities:					
Compensated absences	<u>43,103</u>	<u>26,282</u>	<u>(13,143)</u>	<u>56,242</u>	<u>-</u>
Total long-term liabilities	<u>\$ 99,934</u>	<u>\$ 185,716</u>	<u>\$ (63,230)</u>	<u>\$ 222,420</u>	<u>\$ 74,130</u>

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

**12. Long-Term Liabilities, continued**

**Lines of Credit**

Effective November 30, 2022, 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 2022. Principal and accrued unpaid interest are due and payable on November 30, 2024. As of September 30, 2023, the balance of the line of credit was \$35,019.

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 with maturity date at July 28, 2024. At September 30, 2023, 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 7.75% 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 \$6,302 are due and payable in monthly installments until maturity on February 22, 2028, when all remaining principal and accrued unpaid interest will be due and payable. As of September 30, 2023, the balance of the loan is \$282,211. Principal and interest maturities for the next five fiscal years are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 55,714	\$ 19,908
2025	60,189	15,433
2026	65,023	10,599
2027	70,245	5,246
2028	<u>31,040</u>	<u>601</u>
Total	<u>\$ 282,211</u>	<u>\$ 51,787</u>

**Interest Expense**

Interest expense on long-term debt of \$90,391 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 and Subscription-Based Information Technology Arrangements**

**Lease Obligations**

GASB Statement No. 87 – *Leases*, 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 Statement No. 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 Statement No. 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, 2023, the Park Board reported \$1,411,665 of lease obligations.

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

**13. Leases and Subscription-Based Information Technology Arrangements, continued**

**Lease Obligations, continued**

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, 2023, the balance of the agreement is \$263,597, of which \$209,004 and \$54,593 are due during the years ended September 30, 2024 and 2025, respectively.

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. As of September 30, 2023, the balance of the agreement was \$93,232.

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 September 2027. As of September 30, 2023, the balance of the agreement was \$1,054,836.

The following is a summary of capital lease and right-to-use assets at September 30, 2023:

<u>Classification</u>	<u>Lessor</u>	<u>Gross Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Net Asset Balance</u>
<b>Capital lease assets</b>				
<b>Governmental Activities:</b>				
Equipment	BiLine Bank	\$ 2,232,041	\$ (1,996,437)	\$ 235,604
	Total capital lease assets	<u>\$ 2,232,041</u>	<u>\$ (1,996,437)</u>	<u>\$ 235,604</u>
<b>Right-of-use lease assets</b>				
<b>Governmental Activities:</b>				
Office Equipment	TLC Office Systems	\$ 103,186	\$ (11,464)	\$ 91,722
Vehicles	Enterprise Fleet Management	1,197,311	(277,665)	919,646
		<u>\$ 1,300,497</u>	<u>\$ (289,129)</u>	<u>\$ 1,011,368</u>
<b>Business-Type Activities:</b>				
Vehicles	Enterprise Fleet Management	\$ 139,401	\$ (23,454)	\$ 115,947
	Total right-of-use lease assets	<u>\$ 1,439,898</u>	<u>\$ (312,583)</u>	<u>\$ 1,127,315</u>

**Subscription-Based Information Technology Arrangements**

Effective October 1, 2022, the Park Board adopted the provision of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (“SBITA”)*, which requires recognition of certain SBITA assets and liabilities and recognize the outflows of resources based on the payment provisions of the contract. Per GASB Statement No. 96, the governmental agency must determine whether a contract conveys control of the right to use the underlying information technology (“IT”) assets if: a) the right to obtain the present service capacity from use of the underlying IT asset as specified in the contract and b) the right to determine the nature and manner of use of the underlying IT asset as specified in the contract. In addition, the contract period must be considered a long term contract.

Park Board is a lessee for two noncancellable leases SBITA. Park Board recognizes the SBITA liabilities and intangible right-to-use lease assets (“SBITA assets”) in the government-wide financial statements. Payments are due annually through maturity on November 1, 2024 and December 1, 2026. At September 30, 2023, the Park Board reported \$861,159 of SBITA obligations.

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

**13. Leases and Subscription-Based Information Technology Arrangements, continued**

**Subscription-Based Information Technology Arrangements, continued**

The following is a summary of right-to-use SBITA assets at September 30, 2023:

<u>Classification</u>	<u>Lessor</u>	<u>Gross Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Net Asset Balance</u>
<b>Right-of-use SBITA Asset</b>				
<b>Governmental Activities:</b>				
	Skillsoft Software	\$ 69,190	\$ (15,486)	\$ 53,704
	Deckard Tech Software	1,027,987	(205,597)	822,390
		<u>\$ 1,097,177</u>	<u>\$ (221,083)</u>	<u>\$ 876,094</u>
<b>Business-Type Activities:</b>				
	Skillsoft Software	25,762	(11,429)	14,333
	Total right-of-use SBITA assets	<u>\$ 1,122,939</u>	<u>\$ (232,512)</u>	<u>\$ 890,427</u>

During the year ended September 30, 2023, the Park Board recognized depreciation and amortization expense on capital leases, right-of-use assets, and right-of-use SBITA assets as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Amortization of capital lease assets	\$ 148,803	\$ -	\$ 148,803
Amortization of right-of-use assets – office equipment	16,206	-	16,206
Amortization of right-of-use assets - vehicles	165,653	7,957	173,610
Amortization of right-of-use assets - SBITA	<u>222,568</u>	<u>11,429</u>	<u>233,997</u>
Total	<u>\$ 553,230</u>	<u>\$ 19,386</u>	<u>\$ 572,616</u>

The following is a summary of lease liabilities at September 30, 2023:

<b>Governmental Activities</b>				
<u>Year Ending September 30,</u>	<u>Classification</u>	<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>
<b>2024</b>				
	Office Equipment	\$ 22,903	\$ 4,934	\$ 17,969
	Vehicles	317,664	46,812	270,852
	SBITA	261,203	37,378	223,825
		<u>601,770</u>	<u>89,124</u>	<u>512,646</u>
<b>2025</b>				
	Office Equipment	22,903	3,845	19,058
	Vehicles	297,945	48,464	249,481
	SBITA	240,746	37,754	202,992
		<u>561,594</u>	<u>90,063</u>	<u>471,531</u>
<b>2026</b>				
	Office Equipment	22,903	2,690	20,213
	Vehicles	280,322	19,278	261,044
	SBITA	230,000	24,914	205,086
		<u>533,225</u>	<u>46,882</u>	<u>486,343</u>
<b>2027</b>				
	Office Equipment	22,903	1,464	21,439
	Vehicles	158,745	4,375	154,370
	SBITA	230,000	12,814	217,186
		<u>411,648</u>	<u>18,653</u>	<u>392,995</u>

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

**13. Leases, continued**

**Governmental Activities**

Year Ending September 30,	Classification	Cash	Interest Expense	Liability Reduction
<b>2028</b>				
	Office Equipment	14,812	259	14,553
		<u>14,812</u>	<u>259</u>	<u>14,553</u>
Total office equipment		106,424	13,192	93,232
Total vehicles		1,054,676	118,929	935,747
Total SBITA		961,949	112,860	849,089
Total lease commitments		<u>\$ 2,123,049</u>	<u>\$ 244,981</u>	<u>\$ 1,878,068</u>

**Business-Type Activities**

Year Ending September 30,	Classification	Cash	Interest Expense	Liability Reduction
<b>2024</b>				
	Vehicles	\$ 40,651	\$ 7,575	\$ 33,076
	SBITA	6,411	376	6,035
		<u>47,062</u>	<u>7,951</u>	<u>39,111</u>
<b>2025</b>				
	Vehicles	40,651	5,572	35,079
	SBITA	6,411	376	6,035
		<u>47,062</u>	<u>5,948</u>	<u>41,114</u>
<b>2026</b>				
	Vehicles	40,651	3,108	37,543
		<u>40,651</u>	<u>3,108</u>	<u>37,543</u>
<b>2027</b>				
	Vehicles	14,269	878	13,391
		<u>14,269</u>	<u>878</u>	<u>13,391</u>
Total vehicles		136,222	17,133	119,089
Total SBITA		12,822	752	12,070
Total lease commitments		<u>\$ 149,044</u>	<u>\$ 17,885</u>	<u>\$ 131,159</u>

During the year ended September 30, 2023, the Park Board recognized interest expense of \$68,029 on lease and SBITA obligations.

**Lease Receivable and Deferred Lease Revenue**

On December 30, 2016, the Park Board entered into a lease agreement with the United States Postal Service ("USPS") for the lease of certain office space. Payments are due monthly through maturity on February 27, 2027 and the lease contains two 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.

On July 1, 2022, the Park Board entered into a lease agreement with the Cavalla Historical Foundation ("CHF") for the fenced area of the Galveston Naval Museum. Payments are due monthly through maturity on June 30, 2032.

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. As of September 30, 2023, the Park Board has recorded lease receivables of \$160,890 and \$410,149, respectively, and corresponding deferred inflows of resources of \$150,278 and \$400,727, respectively related to these two lease agreements. During the year ended September 30, 2023, the Park Board recognized lease revenue of \$43,983 and \$45,797, respectively, pursuant to these two lease agreements.

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

**13. Leases, continued**

**Lease Receivable and Deferred Lease Revenue , continued**

Minimum lease payments receivable are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2024</b>	\$ 44,065	\$ 7,608	\$ 51,673
<b>2025</b>	46,504	5,169	51,673
<b>2026</b>	49,078	2,595	51,673
<b>2027</b>	21,243	287	21,530
Total	<u>\$ 160,890</u>	<u>\$ 15,659</u>	<u>\$ 176,549</u>

Year Ending September 30,	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2024</b>	\$ 38,389	\$ 21,611	\$ 60,000
<b>2025</b>	40,514	19,486	60,000
<b>2026</b>	42,757	17,243	60,000
<b>2027</b>	45,123	14,877	60,000
<b>2028</b>	47,621	12,379	60,000
<b>2029-2032</b>	195,745	21,255	217,000
Total	<u>\$ 410,149</u>	<u>\$ 106,851</u>	<u>\$ 517,000</u>

The total amount of inflows of resources from the lease during the year ended September 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Lease revenue	\$43,893	\$45,797
Interest revenue	\$9,919	\$23,625

**Prior Period Adjustment**

During the fiscal year, the Park Board made a prior period adjustment to the government-wide and fund financial statements relating to recognize the lease receivable and deferred lease revenue for CHF of \$446,524 as of October 1, 2022. The impact of the prior period adjustment on government-wide statement and fund financial statements was a change of adoption of a service agreement under GASB Statement No. 87. There was not any impact to the net position in the government-wide statement and fund balance in the proprietary fund statement.

**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.

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

**14. Defined Contribution Plan, continued**

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, 2023, the Park Board made employer matching contributions of \$267,605.

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.

**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 GLO and the FEMA 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.

**Litigation and Contingency** – The Park Board is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its activities, some of which seek damages that could impact the operations of the Park Board. That litigation includes lawsuits claiming damages that allege that the Park Board caused personal injuries, breach of contract and various claims from contractors. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgements both for and against the Park Board. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. Some cases in federal court for deprivation of civil rights do not have similar limitations. The Park Board intends to defend itself vigorously against all suits; however, no prediction can be made, as of the date thereof, with respect to the liability of the Park Board for such claims or the final outcome of such suits.

**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**

Management has evaluated subsequent events through March 19, 2024, 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Administrative fees	\$ 2,153,319	\$ 2,153,319	\$ -	\$ 2,132,597 <sup>(1)</sup>	2,132,597	\$ (20,722)
Hotel occupancy tax	75,000	75,000	-	-	-	(75,000)
Interest income	35,000	35,000	34,823	-	34,823	(177)
Other revenues	459,526	459,526	521,805	749,826 <sup>(1)</sup>	1,271,631	812,105
<b>Total revenues</b>	<u>2,722,845</u>	<u>2,722,845</u>	<u>556,628</u>	<u>2,882,423</u>	<u>3,439,051</u>	<u>716,206</u>
<b>Expenditures</b>						
Payroll and benefits	1,369,768	1,369,768	1,765,570	(10,786) <sup>(2)</sup>	1,754,784	385,016
Legal and professional	101,000	101,000	324,667	-	324,667	223,667
Copy lease	6,280	6,280	3,713	-	3,713	(2,567)
Data processing and software maintenance	105,000	105,000	92,357	-	92,357	(12,643)
Contract services	86,805	86,805	78,558	-	78,558	(8,247)
Insurance	101,600	101,600	88,325	-	88,325	(13,275)
Repairs and maintenance	134,300	134,300	48,203	-	48,203	(86,097)
Communication	24,800	24,800	26,355	-	26,355	1,555
Utilities	29,000	29,000	27,826	-	27,826	(1,174)
Supplies	18,350	18,350	14,987	-	14,987	(3,363)
Improvements and equipment	143,800	143,800	874,007	(717,921) <sup>(1)</sup>	156,086	12,286
Gasoline	500	500	109	-	109	(391)
Interest expense	81,335	81,335	29,955	(424) <sup>(4)</sup>	29,531	(51,804)
Marketing and advertising	-	-	886	-	886	886
Revenue share with City of Galveston	-	-	-	749,826 <sup>(1)</sup>	749,826	749,826
Other expenditures	186,843	186,843	180,906	(8,187) <sup>(3)</sup>	172,719	(14,124)
<b>Total expenditures</b>	<u>2,389,381</u>	<u>2,389,381</u>	<u>3,556,424</u>	<u>12,508</u>	<u>3,568,932</u>	<u>1,179,551</u>
Revenues over (under) expenditures	333,464	333,464	(2,999,796)	2,869,915	(129,881)	(463,345)
<b>Other financing sources (uses)</b>						
Loan payments	(198,110)	(198,110)	(52,074)	52,074 <sup>(1)</sup>	-	198,110
Lease revenue	-	-	42,130	-	42,130	42,130
Lease and SBITA payments	(135,354)	(135,354)	(442,845)	-	(442,845)	(307,491)
Transfer from (to) other funds	-	-	2,902,592	(2,902,592) <sup>(1)</sup>	-	-
<b>Total other financing sources (uses)</b>	<u>(333,464)</u>	<u>(333,464)</u>	<u>2,449,803</u>	<u>(2,850,518)</u>	<u>(400,715)</u>	<u>(67,251)</u>
<b>Excess of revenues and other sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (549,993)</u>	<u>\$ 19,397</u>	<u>(530,596)</u>	<u>\$ (530,596)</u>

<sup>(1)</sup> These represent reclassifications for budget presentation purposes only.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Hotel occupancy tax	\$ 8,043,750	\$ 8,043,750	\$ 8,485,515	\$ -	\$ 8,485,515	\$ 441,765
Grant proceeds	-	-	3,525	-	3,525	3,525
Interest income	-	-	1,369	-	1,369	1,369
Other revenues	3,937,000	3,937,000	153,430	142,012 <sup>(3)</sup>	295,442	(3,641,558)
<b>Total revenues</b>	<b>11,980,750</b>	<b>11,980,750</b>	<b>8,643,839</b>	<b>142,012</b>	<b>8,785,851</b>	<b>(3,194,899)</b>
<b>Expenditures</b>						
Payroll and benefits	2,650,885	2,650,885	2,445,150	5,997 <sup>(1)</sup>	2,451,147	(199,738)
Legal and professional	97,500	97,500	109,974	-	109,974	12,474
Copy lease	13,720	13,720	2,232	-	2,232	(11,488)
Data processing and software maintenance	127,499	119,752	87,803	-	87,803	(31,949)
Contract services	125,780	125,780	93,531	-	93,531	(32,249)
Insurance	26,650	26,650	47,560	-	47,560	20,910
Repairs and maintenance	20,400	21,181	5,273	-	5,273	(15,908)
Office Rent	111,000	111,600	101,500	-	101,500	(10,100)
Communication	70,960	70,829	46,752	-	46,752	(24,077)
Supplies	11,000	15,796	13,025	-	13,025	(2,771)
Improvements and equipment	71,600	82,372	48,697	-	48,697	(33,675)
Gasoline	2,000	2,000	1,650	-	1,650	(350)
Interest expense	2,717	2,717	2,986	-	2,986	269
Marketing and advertising	3,220,570	3,228,920	2,758,781	-	2,758,781	(470,139)
Special projects	3,316,262	3,307,768	1,643,647	-	1,643,647	(1,664,121)
Administrative fees	860,368	860,368	-	860,368 <sup>(3)</sup>	860,368	-
Revenue share with the City of Galveston	-	-	-	142,012 <sup>(3)</sup>	142,012	142,012
Transfer of HOT to City of Galveston	-	-	6,214,911	-	6,214,911	6,214,911
Other expenditures	635,103	626,176	470,984	(13,071) <sup>(2)</sup>	457,913	(168,263)
<b>Total expenditures</b>	<b>11,364,014</b>	<b>11,364,014</b>	<b>14,094,456</b>	<b>995,306</b>	<b>15,089,762</b>	<b>3,725,748</b>
Revenues over (under) expenditures	616,736	616,736	(5,450,617)	(853,294)	(6,303,911)	(6,920,647)
<b>Other financing sources (uses)</b>						
Transfer from (to) other funds	(607,500)	(607,500)	(1,043,046)	860,368 <sup>(3)</sup>	(182,678)	424,822
Lease and SBITA payments	(9,236)	(9,236)	(15,305)	-	(15,305)	(6,069)
<b>Total other financing sources (uses)</b>	<b>(616,736)</b>	<b>(616,736)</b>	<b>(1,058,351)</b>	<b>860,368</b>	<b>(197,983)</b>	<b>418,753</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,508,968)</b>	<b>\$ 7,074</b>	<b>\$ (6,501,894)</b>	<b>\$ (6,501,894)</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	Actual	Reconciling Items	(See Note 1)	Over (Under)
<b>Revenues</b>						
Hotel occupancy tax	\$ 3,392,625	\$ 3,392,625	3,211,727	\$ -	\$ 3,211,727	\$ (180,898)
State and local funds	300,000	300,000	200,000	-	200,000	(100,000)
Interest income	-	-	2	-	2	2
Other revenues	1,141,837	1,141,837	14,420	-	14,420	(1,127,417)
<b>Total revenues</b>	<b>4,834,462</b>	<b>4,834,462</b>	<b>3,426,149</b>	<b>-</b>	<b>3,426,149</b>	<b>(1,408,313)</b>
<b>Expenditures</b>						
Payroll and benefits	2,721,025	2,722,230	2,751,651	2,365 <sup>(2)</sup>	2,754,016	31,786
Legal and professional	39,650	39,650	15,237	-	15,237	(24,413)
Copy lease	50	50	-	-	-	(50)
Data processing and software maintenance	30,371	30,371	14,762	-	14,762	(15,609)
Contract services	59,697	58,697	57,688	-	57,688	(1,009)
Insurance	110,600	110,600	99,124	-	99,124	(11,476)
Repairs and maintenance	84,000	93,938	99,889	-	99,889	5,951
Communication	34,882	29,852	19,155	-	19,155	(10,697)
Utilities	18,000	18,000	17,749	-	17,749	(251)
Supplies	44,350	45,312	44,470	-	44,470	(842)
Improvement and equipment	1,313,500	1,299,550	14,622	-	14,622	(1,284,928)
Leased equipment	9,489	9,489	20,418	-	20,418	10,929
Gasoline	128,000	135,500	145,909	-	145,909	10,409
Dumping fee	57,000	57,000	31,503	-	31,503	(25,497)
Interest expense	38,291	38,291	37,071	(68) <sup>(4)</sup>	37,003	(1,288)
Storm repairs	3,565	3,565	3,408	-	3,408	(157)
Administrative fees	339,262	339,262	-	339,262 <sup>(1)</sup>	339,262	-
Transfer of HOT to City of Galveston	-	-	2,459,395	-	2,459,395	2,459,395
Other expenditures	40,346	40,721	19,518	(2,360) <sup>(3)</sup>	17,158	(23,563)
<b>Total expenditures</b>	<b>5,072,078</b>	<b>5,072,078</b>	<b>5,851,569</b>	<b>339,199</b>	<b>6,190,768</b>	<b>1,118,690</b>
Revenues over (under) expenditures	(237,616)	(237,616)	(2,425,420)	(339,199)	(2,764,619)	(2,527,003)
<b>Other financing sources (uses)</b>						
Loan payments	(50,400)	(50,400)	-	(52,074) <sup>(1)</sup>	(52,074)	(1,674)
FEMA reimbursement	-	-	10,041	-	10,041	10,041
Lease and SBITA payments	(65,549)	(65,549)	(63,926)	-	(63,926)	1,623
Transfer from (to) other funds	350,000	350,000	(530,632)	391,336 <sup>(1)</sup>	(139,296)	(489,296)
<b>Total other financing sources (uses)</b>	<b>234,051</b>	<b>234,051</b>	<b>(584,517)</b>	<b>339,262</b>	<b>(245,255)</b>	<b>(479,306)</b>
<b>Excess of revenues and other sources over (under) expenditures</b>	<b>\$ (3,565)</b>	<b>\$ (3,565)</b>	<b>\$ (3,009,937)</b>	<b>\$ 63</b>	<b>\$ (3,009,874)</b>	<b>\$ (3,006,309)</b>

<sup>(1)</sup> These represent reclassifications for budget presentation purposes only.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Hotel occupancy tax	\$ 3,149,625	\$ 3,149,625	\$ 2,741,251	\$ -	\$ 2,741,251	\$ (408,374)
State and local funds	-	-	-	-	-	-
Interest income	-	-	2	-	2	2
Other revenues	547,675	547,675	24,632	-	24,632	(523,043)
<b>Total revenues</b>	<b>3,697,300</b>	<b>3,697,300</b>	<b>2,765,885</b>	<b>-</b>	<b>2,765,885</b>	<b>(931,415)</b>
<b>Expenditures</b>						
Payroll and benefits	2,640,300	2,860,667	3,089,002	6,935 <sup>(1)</sup>	3,095,937	235,270
Legal and professional	11,750	11,750	14,972	-	14,972	3,222
Data processing and software maintenance	33,980	33,980	27,374	-	27,374	(6,606)
Contract services	3,420	3,420	5,015	-	5,015	1,595
Insurance	41,600	41,600	53,733	-	53,733	12,133
Repairs and maintenance	41,100	41,100	111,202	-	111,202	70,102
Office rent	232,000	232,000	105,600	-	105,600	(126,400)
Communication	54,000	90,933	84,657	-	84,657	(6,276)
Supplies	38,500	35,300	23,472	-	23,472	(11,828)
Improvements and equipment	815,500	561,400	30,281	-	30,281	(531,119)
Leased equipment	19,734	19,734	2,444	-	2,444	(17,290)
Gasoline	48,000	48,000	43,762	-	43,762	(4,238)
Interest expense	14,845	14,845	14,729	-	14,729	(116)
Marketing and advertising	-	-	228	-	228	228
Administrative fees	244,000	244,000	-	244,000 <sup>(3)</sup>	244,000	-
Transfer of HOT to City of Galveston	(796,800)	(796,800)	2,495,262	-	2,495,262	3,292,062
Other expenditures	152,514	152,514	99,280	(1,328) <sup>(2)</sup>	97,952	(54,562)
<b>Total expenditures</b>	<b>3,594,443</b>	<b>3,594,443</b>	<b>6,201,013</b>	<b>249,607</b>	<b>6,450,620</b>	<b>2,856,177</b>
Revenues over (under) expenditures	102,857	102,857	(3,435,128)	(249,607)	(3,684,735)	(3,787,592)
<b>Other financing sources (uses)</b>						
FEMA reimbursement	-	-	62,242	-	62,242	62,242
Lease and SBITA payments	(102,857)	(102,857)	(100,179)	-	(100,179)	2,678
Transfer from other funds	-	-	445,870	244,000 <sup>(4)</sup>	689,870	689,870
Gain on sale of capital asset	-	-	26,700	-	26,700	26,700
<b>Total other financing sources (uses)</b>	<b>(102,857)</b>	<b>(102,857)</b>	<b>434,633</b>	<b>244,000</b>	<b>678,633</b>	<b>781,490</b>
<b>Excess of revenues and other sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,000,495)</b>	<b>\$ (5,607)</b>	<b>\$ (3,006,102)</b>	<b>\$ (3,006,102)</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Hotel occupancy tax	\$ 1,539,000	\$ 1,539,000	\$ 1,198,064	\$ -	\$ 1,198,064	\$ (340,936)
Grant proceeds	1,414,271	3,612,659	663,562	-	663,562	(2,949,097)
Other revenues	892,867	892,867	107,138	75,000 <sup>(2)</sup>	182,138	(710,729)
<b>Total revenues</b>	<b>3,846,138</b>	<b>6,044,526</b>	<b>1,968,764</b>	<b>75,000</b>	<b>2,043,764</b>	<b>(4,000,762)</b>
<b>Expenditures</b>						
Payroll and benefits	376,100	376,100	323,929	211 <sup>(1)</sup>	324,140	(51,960)
Legal and professional	642,516	644,738	323,398	-	323,398	(321,340)
Data processing and software maintenance	2,150	3,050	2,549	-	2,549	(501)
Contract services	7,000	7,000	5,940	-	5,940	(1,060)
Repairs and maintenance	43,000	43,000	31,349	-	31,349	(11,651)
Communication	1,650	1,900	1,768	-	1,768	(132)
Supplies	92,840	89,168	18,189	-	18,189	(70,979)
Improvements and equipment	45,200	45,200	3,872	-	3,872	(41,328)
Grant expenditures	650,000	2,635,000	-	664,063 <sup>(3)</sup>	664,063	(1,970,937)
Interest expense	92	92	78	-	78	(14)
Special projects	-	-	7,503	-	7,503	7,503
Storm repairs	7,663,650	9,797,529	4,061,267	1,811,314 <sup>(3)</sup>	5,872,581	(3,924,948)
Administrative fees	153,900	153,900	-	153,900 <sup>(3)</sup>	153,900	-
Transfer of HOT to City of Galveston	-	-	1,980,916	-	1,980,916	1,980,916
Other expenditures	93,915	94,215	2,579,229	(2,400,377) <sup>(2), (3)</sup>	178,852	84,637
<b>Total expenditures</b>	<b>9,772,013</b>	<b>13,890,892</b>	<b>9,339,987</b>	<b>229,111</b>	<b>9,569,098</b>	<b>(4,321,794)</b>
Revenues over (under) expenditures	(5,925,875)	(7,846,366)	(7,371,223)	(154,111)	(7,525,334)	321,032
<b>Other financing sources (uses)</b>						
FEMA reimbursement	6,897,285	8,817,776	5,872,581	-	5,872,581	(2,945,195)
Lease and SBITA payments	(387)	(387)	(387)	-	(387)	-
Transfer from (to) other funds	(973,117)	(973,117)	(1,017,117)	153,900 <sup>(3)</sup>	(863,217)	109,900
<b>Total other financing sources (uses)</b>	<b>5,923,781</b>	<b>7,844,272</b>	<b>4,855,077</b>	<b>153,900</b>	<b>5,008,977</b>	<b>(2,835,295)</b>
<b>Excess of revenues and other sources over expenditures</b>	<b>\$ (2,094)</b>	<b>\$ (2,094)</b>	<b>\$ (2,516,146)</b>	<b>\$ (211)</b>	<b>\$ (2,516,357)</b>	<b>\$ (2,514,263)</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The change in prepaid expenses and unearned income 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.

<sup>(3)</sup> These represent reclassifications for budget presentation purposes only.

# **PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON**

## **NOTES TO SUMMARY BUDGETARY COMPARISON SCHEDULES**

### **1. Budgets and Budgetary Accounting**

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

At least thirty days prior to October 1<sup>st</sup>, the executive committee is to submit to the Board of Trustees a proposed operating and capital projects budget for the fiscal year commencing October 1<sup>st</sup>. 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 1<sup>st</sup>, 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Admissions revenue	\$ 444,500	\$ 444,500	\$ 469,470	\$ -	\$ 469,470	\$ 24,970
Fishing revenue	746,000	746,000	728,277	-	728,277	(17,723)
Interest income	-	-	23,625	-	23,625	23,625
Other revenues	1,086,250	1,086,250	10,419	-	10,419	(1,075,831)
<b>Total revenues</b>	<b>2,276,750</b>	<b>2,276,750</b>	<b>1,231,791</b>	<b>-</b>	<b>1,231,791</b>	<b>(1,044,959)</b>
<b>Expenditures</b>						
Payroll and benefits	692,800	690,300	694,109	-	694,109	3,809
Contract services	43,020	41,020	25,418	-	25,418	(15,602)
Data processing and software maintenance	5,100	10,600	10,436	-	10,436	(164)
Legal and professional	143,050	143,050	8,800	-	8,800	(134,250)
Repairs and maintenance	57,900	52,400	34,198	-	34,198	(18,202)
Communication	11,930	11,930	7,252	-	7,252	(4,678)
Supplies	32,533	32,033	29,493	-	29,493	(2,540)
Improvements and equipment	1,495,100	1,504,600	414	-	414	(1,504,186)
Insurance	55,100	55,100	47,817	-	47,817	(7,283)
Storm repairs	687,712	687,712	1,135	-	1,135	(686,577)
Administrative fees	118,750	118,750	-	118,750 <sup>(1)</sup>	118,750	-
Interest expense	14,046	14,046	601	-	601	(13,445)
Special projects	-	-	4,139	-	4,139	4,139
Utilities	28,200	28,200	43,588	-	43,588	15,388
Gasoline	3,750	3,750	3,074	-	3,074	(676)
Depreciation expense	-	-	150,730	-	150,730	150,730
Security expense	30,300	30,300	-	22,725 <sup>(1)</sup>	22,725	(7,575)
Revenue share with City of Galveston	300,000	300,000	300,000	-	300,000	-
Other expenditures	43,427	38,927	31,690	-	31,690	(7,237)
<b>Total expenditures</b>	<b>3,762,718</b>	<b>3,762,718</b>	<b>1,392,894</b>	<b>141,475</b>	<b>1,534,369</b>	<b>(2,228,349)</b>
Revenues over (under) expenditures	(1,485,968)	(1,485,968)	(161,103)	(141,475)	(302,578)	1,183,390
<b>Other financing sources (uses)</b>						
FEMA reimbursement	373,678	373,678	4,815	-	4,815	(368,863)
Lease revenue	-	-	45,797	-	45,797	45,797
Transfer from (to) other funds	761,966	761,966	(141,475)	141,475 <sup>(1)</sup>	-	(761,966)
Gain (loss) on sale of asset	-	-	6,081	-	6,081	6,081
<b>Total other financing sources (uses)</b>	<b>1,135,644</b>	<b>1,135,644</b>	<b>(84,782)</b>	<b>141,475</b>	<b>56,693</b>	<b>(1,078,951)</b>
<b>Excess of revenues and other sources over expenditures</b>	<b>\$ (350,324)</b>	<b>\$ (350,324)</b>	<b>\$ (245,885)</b>	<b>\$ -</b>	<b>\$ (245,885)</b>	<b>\$ 104,439</b>

<sup>(1)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Beach user fees	\$ 560,600	\$ 560,600	\$ 491,163	\$ -	\$ 491,163	\$ (69,437)
Grant proceeds	20,000	20,000	20,000	-	20,000	-
Other revenues	216,631	216,631	100,053	-	100,053	(116,578)
<b>Total revenues</b>	<u>797,231</u>	<u>797,231</u>	<u>611,216</u>	<u>-</u>	<u>611,216</u>	<u>(186,015)</u>
<b>Expenditures</b>						
Payroll and benefits	297,325	297,325	234,756	-	234,756	(62,569)
Contract services	23,230	23,230	16,950	-	16,950	(6,280)
Data processing and software maintenance	2,800	2,800	3,283	-	3,283	483
Legal and professional	156,250	156,250	5,456	-	5,456	(150,794)
Repairs and maintenance	48,055	46,055	5,846	-	5,846	(40,209)
Communication	14,120	14,120	8,964	-	8,964	(5,156)
Supplies	25,235	25,235	15,217	-	15,217	(10,018)
Improvements and equipment	332,750	332,750	13,423	-	13,423	(319,327)
Storm repairs	3,148	3,148	-	-	-	(3,148)
Administrative fees	89,935	89,935	-	89,935 <sup>(1)</sup>	89,935	-
Leased equipment	11,500	11,500	7,339	-	7,339	(4,161)
Grant expenditures	30,000	30,000	-	-	-	(30,000)
Gasoline	130	2,130	2,956	-	2,956	826
Insurance	87,700	87,700	94,849	-	94,849	7,149
Interest expense	1,384	1,384	614	-	614	(770)
Special projects	-	-	4,040	-	4,040	4,040
Utilities	7,000	7,000	5,517	-	5,517	(1,483)
Depreciation expense	-	-	143,287	-	143,287	143,287
Security expense	124,500	124,500	-	93,375 <sup>(1)</sup>	93,375	(31,125)
Other expenditures	34,792	34,792	16,649	-	16,649	(18,143)
<b>Total expenditures</b>	<u>1,289,854</u>	<u>1,289,854</u>	<u>579,146</u>	<u>183,310</u>	<u>762,456</u>	<u>(527,398)</u>
Revenues over (under) expenditures	(492,623)	(492,623)	32,070	(183,310)	(151,240)	341,383
<b>Other financing sources (uses)</b>						
Loan payments	-	-	-	-	-	-
FEMA reimbursement	1,314	1,314	750	-	750	(564)
Transfer from (to) other funds	515,450	515,450	(183,310)	183,310 <sup>(1)</sup>	-	(515,450)
Gain on sale of capital assets	-	-	(983)	-	(983)	(983)
<b>Total other financing sources (uses)</b>	<u>516,764</u>	<u>516,764</u>	<u>(183,543)</u>	<u>183,310</u>	<u>(233)</u>	<u>(516,997)</u>
<b>Excess of revenues and other sources over expenditures</b>	<u>\$ 24,141</u>	<u>\$ 24,141</u>	<u>\$ (151,473)</u>	<u>\$ -</u>	<u>\$ (151,473)</u>	<u>\$ (175,614)</u>

<sup>(1)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Beach user fees	\$ 35,890	\$ 35,890	\$ 196,960	\$ -	\$ 196,960	\$ 161,070
Camping revenue	1,000,000	1,000,000	835,710	-	835,710	(164,290)
Other revenues	56,220	56,220	42,608	-	42,608	(13,612)
<b>Total revenues</b>	<u>1,092,110</u>	<u>1,092,110</u>	<u>1,075,278</u>	<u>-</u>	<u>1,075,278</u>	<u>(16,832)</u>
<b>Expenditures</b>						
Payroll and benefits	387,155	387,155	379,000	-	379,000	(8,155)
Contract services	26,751	26,751	15,323	-	15,323	(11,428)
Data processing and software maintenance	6,828	6,828	7,982	-	7,982	1,154
Legal and professional	12,150	12,150	27,934	-	27,934	15,784
Repairs and maintenance	55,380	55,380	47,775	-	47,775	(7,605)
Communication	15,520	15,520	15,513	-	15,513	(7)
Dumping fees	6,000	6,000	3,116	-	3,116	(2,884)
Supplies	17,200	14,200	6,879	-	6,879	(7,321)
Improvements and equipment	222,100	225,100	29,502	-	29,502	(195,598)
Insurance	36,500	36,500	37,330	-	37,330	830
Interest expense	960	960	917	-	917	(43)
Storm repairs	2,900	2,900	145	-	145	(2,755)
Administrative fees	104,411	104,411	-	104,411 <sup>(1)</sup>	104,411	-
Leased equipment	8,072	8,072	4,310	-	4,310	(3,762)
Utilities	77,000	77,000	76,093	-	76,093	(907)
Gasoline	3,120	3,120	555	-	555	(2,565)
Depreciation expense	-	-	69,535	-	69,535	69,535
Other expenditures	96,470	96,470	106,789	-	106,789	10,319
<b>Total expenditures</b>	<u>1,078,517</u>	<u>1,078,517</u>	<u>828,698</u>	<u>104,411</u>	<u>933,109</u>	<u>(145,408)</u>
Revenues over (under) expenditures	13,593	13,593	246,580	(104,411)	142,169	128,576
<b>Other financing sources (uses)</b>						
FEMA reimbursement	1,918,278	1,918,278	93,844	-	93,844	(1,824,434)
Transfer from (to) other funds	-	-	(104,411)	104,411 <sup>(1)</sup>	-	-
<b>Total other financing sources (uses)</b>	<u>1,918,278</u>	<u>1,918,278</u>	<u>(10,567)</u>	<u>104,411</u>	<u>93,844</u>	<u>(1,824,434)</u>
<b>Excess of revenues and other sources over expenditures</b>	<u>\$ 1,931,871</u>	<u>\$ 1,931,871</u>	<u>\$ 236,013</u>	<u>\$ -</u>	<u>\$ 236,013</u>	<u>\$ (1,695,858)</u>

<sup>(1)</sup> 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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Beach user fees	\$ 2,012,000	\$ 2,012,000	\$ 1,750,657	\$ -	\$ 1,750,657	\$ (261,343)
State and local funds	477,583	477,583	-	-	-	(477,583)
Other revenues	24,500	24,500	-	-	-	(24,500)
<b>Total revenues</b>	<u>2,514,083</u>	<u>2,514,083</u>	<u>1,750,657</u>	<u>-</u>	<u>1,750,657</u>	<u>(763,426)</u>
<b>Expenditures</b>						
Payroll and benefits	698,953	698,961	570,926	-	570,926	(128,035)
Contract services	4,865	4,865	3,575	-	3,575	(1,290)
Data processing and software maintenance	6,812	7,948	7,948	-	7,948	-
Legal and professional	6,400	6,400	6,289	-	6,289	(111)
Repairs and maintenance	160,850	157,850	100,984	-	100,984	(56,866)
Office Rent	29,880	29,880	29,880	-	29,880	-
Communication	13,855	13,855	11,391	-	11,391	(2,464)
Supplies	34,845	37,845	28,795	-	28,795	(9,050)
Improvements and equipment	621,100	621,100	7,583	-	7,583	(613,517)
Leased equipment	11,400	11,400	7,323	-	7,323	(4,077)
Administrative fees	130,568	130,568	-	109,846	109,846	(20,722)
Gasoline	13,250	13,250	13,501	-	13,501	251
Insurance	11,700	11,700	14,592	-	14,592	2,892
Interest expense	-	314	354	-	354	40
Depreciation expense	-	-	10,506	-	10,506	10,506
Revenue share with City of Galveston	509,125	509,125	544,984	-	544,984	35,859
Other expenditures	260,480	259,022	225,955	-	225,955	(33,067)
<b>Total expenditures</b>	<u>2,514,083</u>	<u>2,514,083</u>	<u>1,584,586</u>	<u>109,846</u>	<u>1,694,432</u>	<u>(819,651)</u>
Revenues over (under) expenditures	-	-	166,071	(109,846)	56,225	56,225
<b>Other financing sources (uses)</b>						
Transfer from (to) other funds	-	-	(109,846)	109,846	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(109,846)</u>	<u>109,846</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues and other sources over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,225</u>	<u>\$ -</u>	<u>\$ 56,225</u>	<u>\$ 56,225</u>

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, 2023**

	Budgeted Amounts		Actual Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	Actual	Reconciling Items		
<b>Revenues</b>						
Beach user fees	\$ 811,900	\$ 811,900	\$ 766,480	-	\$ 766,480	\$ (45,420)
Grant proceeds	-	-	575	-	575	575
Other revenues	644,057	644,057	290,194	-	290,194	(353,863)
<b>Total revenues</b>	<u>1,455,957</u>	<u>1,455,957</u>	<u>1,057,249</u>	<u>-</u>	<u>1,057,249</u>	<u>(398,708)</u>
<b>Expenditures</b>						
Payroll and benefits	388,265	388,265	400,985	-	400,985	12,720
Contract services	49,009	49,009	21,586	-	21,586	(27,423)
Data processing and software maintenance	9,920	9,920	7,843	-	7,843	(2,077)
Legal and professional	43,215	43,215	16,952	-	16,952	(26,263)
Repairs and maintenance	45,300	45,300	(24,532)	-	(24,532)	(69,832)
Communication	23,739	23,739	17,225	-	17,225	(6,514)
Supplies	25,669	25,669	22,588	-	22,588	(3,081)
Improvements and equipment	257,400	257,400	145,729	-	145,729	(111,671)
Storm repairs	2,610	2,610	2,356	-	2,356	(254)
Leased equipment	378	378	770	-	770	392
Administrative fees	112,125	112,125	-	112,125 <sup>(1)</sup>	112,125	-
Gasoline	4,250	4,250	6,725	-	6,725	2,475
Insurance	152,500	152,500	103,553	-	103,553	(48,947)
Interest expense	3,646	3,646	3,578	-	3,578	(68)
Utilities	46,000	46,000	36,329	-	36,329	(9,671)
Depreciation expense	-	-	218,462	-	218,462	218,462
Security expense	142,000	142,000	-	106,500 <sup>(1)</sup>	106,500	(35,500)
Other expenditures	60,366	60,366	52,987	-	52,987	(7,379)
<b>Total expenditures</b>	<u>1,366,392</u>	<u>1,366,392</u>	<u>1,033,136</u>	<u>218,625</u>	<u>1,251,761</u>	<u>(114,631)</u>
Revenues over (under) expenditures	89,565	89,565	24,113	(218,625)	(194,512)	(284,077)
<b>Other financing sources (uses)</b>						
FEMA reimbursement	49,244	49,244	189,664	-	189,664	140,420
Transfer from (to) other funds	-	-	(218,625)	218,625 <sup>(1)</sup>	-	-
Gain on sale of capital assets	-	-	(983)	-	(983)	(983)
<b>Total other financing sources (uses)</b>	<u>49,244</u>	<u>49,244</u>	<u>(29,944)</u>	<u>218,625</u>	<u>188,681</u>	<u>139,437</u>
<b>Excess of revenues and other sources over expenditures</b>	<u>\$ 138,809</u>	<u>\$ 138,809</u>	<u>\$ (5,831)</u>	<u>\$ -</u>	<u>\$ (5,831)</u>	<u>\$ (144,640)</u>

<sup>(1)</sup> 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, 2023. 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, 2023.

***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 2023-02, 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, 2023, and have issued our report thereon dated March 19, 2024, 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.

*Ham, Langston & Buzina, LLP*

Houston, Texas  
March 19, 2024

**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, 2023, 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 19, 2024.

**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 2023-01 and 2023-02 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.

*Hamm, Langston & Brezina, LLP*

Houston, Texas  
March 19, 2024

**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, 2023**

<b>Federal Grantor/Pass-through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Grantor Number</b>	<b>Expenditures</b>
United States Department of Homeland Security	97.036	FEMA-4332-DR-TX	\$ 6,525,090
Texas Department of Emergency Management	97.036	FEMA-4572-DR-TX	80,314
Disaster Grants - Public Assistance	97.036	FEMA-1657-DR-TX	30,158
(Presidentially Declared Disasters)			<u>6,635,562</u>
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	23,295
National Endowment for the Humanities			
Passed through Humanities Texas			
HTX Mini-Grant	45.129	2022-6747	<u>8,890</u>
Total expenditures under federal grants			<u><u>\$ 6,667,747</u></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, 2023. 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, 2023, included in the SEFA are \$284,729 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

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**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

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

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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
National Endowment for the Humanities Passed through Humanities Texas HTX Mini-Grant	45.129

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**

**2023-01 Leases**

Criteria: GASB Statement No. 87 – Leases should be applied for all qualified exchange agreements with noncancellable term more than twelve months, and the lease receivable and deferred lease revenue and right-of-use assets and lease obligations should be recorded.

Condition: The Park Board did not apply GASB Statement No.87 to the service and lease agreement with noncancellable term more than twelve months for \$446,524 as of October 1, 2022. While the amount is not material for the government-wide financial statements, the identified the lease receivable and deferred lease revenue of \$446,524 was material amount at the proprietary fund level, which have a lower materiality threshold.

Effect: The financial statements improperly excluded the lease receivable and deferred lease revenue of \$446,524 at October 1, 2022.

Cause: Service and lease agreement was improperly excluded from the GASB Statement No. 87 – Lease analysis.

Recommendation: We recommend that the Park Board review and discuss, as applicable, all service and lease agreements to ensure that lease receivable and deferred lease revenue are properly recorded.

Management Response: The Park Board agrees with this finding and properly recorded the lease receivable and deferred lease revenue in the financial statements as of September 30, 2023. The lease receivable associated agreement was reviewed by management during the year ended September 30, 2022 but was determined not qualified under GASB Statement No. 87. This assessment was changed when management assessed the agreement under the GASB Statement No. 94 during the year ended September 30, 2023. Management will review each service and lease agreement to ensure all proper lease accounting is made, as appropriate.

**2023-02 Pass-through FEMA Reimbursements Receivable and Grant Payable**

Criteria: A receivable for FEMA reimbursements and the associated pass-through grant payable should be accrued in the period in which all requirements and conditions have been satisfied and the reimbursement is approved for governmental funds.

Condition: During the year ended September 30, 2023, The Park Board recorded \$6,525,090 in a pass-through FEMA reimbursable revenues and expenditures, of which \$174,257 was identified by the auditor related to the 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 governmental fund level, which has a lower materiality threshold.

Effect: The financial statements improperly excluded pass-through FEMA reimbursements receivable and payable at September 30, 2022.

Recommendation: We recommend that the Park Board review and discuss, as applicable, pass-through grant reimbursements received and paid 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, 2023. The under accrued pass-through FEMA reimbursements was due to the procuring agency not notifying the Park Board until January 2024. Management will review each pass-through grant reimbursement received and payment 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**

**2023-02 Pass-through FEMA Reimbursements Period of Performance**

Information on Federal Program:

Texas Department of Emergency Management Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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:

For the \$6,525,090 expenditures recorded in the year ended September 30, 2023, of which \$174,257 related to the year ended September 30, 2022.

Questioned Cost:

There are no questioned costs related to this finding.

Context:

In the testing of total incurred expenditures of \$6,525,090 for the year ended September 30, 2023, expenditure of \$174,257 should be included in the schedule of expenditures of federal awards for the year ended September 30, 2022.

Effect:

The failure to maintain the complete schedule of expenditures of federal awards 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 the complete schedule of expenditures of federal awards.

Recommendation:

We recommend that the Park Board maintain the complete schedule of expenditures of federal awards.

Management Response:

We agree with the finding. The procedure of maintaining the complete schedule of expenditures of federal awards will be implemented in fiscal year 2024.

**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).

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

**SECTION IV – SCHEDULE OF PRIOR YEAR FINDING**

**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

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.

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.

Status:

The procedure of maintaining appropriate evidence of approval prior to submitting quarterly reports and requests for reimbursement to the grantor are implemented in fiscal year 2023.