

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
As of and for the Year Ended September 30, 2021**

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board of Trustees of the City of Galveston, Texas (the "Park Board"), a component unit of the City of Galveston, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. GAAP.

INDEPENDENT AUDITOR'S REPORT, continued

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 16, 2022, 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.

Ham, Langston & Buzina, LLP

Houston, Texas
March 16, 2022

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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, 2021.

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

Financial Highlight

The assets of the Park Board exceeded deferred inflows of resources and liabilities at September 30, 2021 by \$307,447,369 (net position). Of this amount, \$399,063 is restricted for specific purposes based on contractual obligations to creditors. Long-term liabilities decreased from \$1,760,584 to \$1,118,397 during the year due to final paydowns on capital leases. The Park Board's unrestricted net position increased from \$12,600,077 at of September 30, 2020 to \$18,687,809 at September 30, 2021.

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, 2021. 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, 2021. 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, General Fixed Assets, General Long Term Liabilities, Stewart Beach Park, Seawolf Park, R.A. Apffel Beach Park, Dellanera RV Park, Urban Park, and East End Lagoon. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

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

The Park Board maintains nine separate governmental funds. The governmental funds financial statements display the governmental funds considered to be major funds. For the year ended September 30, 2021, all governmental funds were considered to be major funds.

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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, 2021, all proprietary funds were considered to be major funds.
- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the Park Board's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Park Board's own programs. The accounting used for the fiduciary funds is much like that for the proprietary funds. For the year ended September 30, 2021, 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.

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, 2021, the Park Board's combined net position was \$307,447,369. Of that amount, \$288,360,497 was invested capital assets, net of the debt related to those assets.

Statements of Financial Position

	<u>2021</u>			<u>2020</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS						
Current and other	\$ 25,437,671	\$ 209,235	\$ 25,646,906	\$ 19,280,116	\$ 290,921	\$ 19,571,037
Capital assets	285,723,129	3,824,163	289,547,292	297,463,487	4,109,209	301,572,696
Total Assets	<u>\$311,160,800</u>	<u>\$ 4,033,398</u>	<u>\$315,194,198</u>	<u>\$316,743,603</u>	<u>\$ 4,400,130</u>	<u>\$321,143,733</u>
LIABILITIES						
Long-term liabilities	\$ 1,084,160	\$ 34,237	\$ 1,118,397	\$ 1,700,537	\$ 60,047	\$ 1,760,584
Other Liabilities	3,142,379	3,276,812	6,419,191	2,068,046	4,078,342	6,146,388
Total liabilities	<u>\$4,226,539</u>	<u>\$ 3,311,049</u>	<u>\$7,537,588</u>	<u>\$ 3,768,583</u>	<u>\$ 4,138,389</u>	<u>\$ 7,906,972</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 32,500</u>	<u>\$ 176,741</u>	<u>\$ 209,241</u>	<u>\$ 70,200</u>	<u>\$ 134,630</u>	<u>\$ 204,830</u>
NET POSITION						
Invested in capital assets net of related debt	\$ 284,601,433	\$ 3,759,064	\$288,360,497	\$ 295,957,137	\$ 4,077,110	\$ 300,034,247
Restricted for debt service	399,063	-	399,063	397,607	-	397,607
Unrestricted	21,901,265	(3,213,456)	18,687,809	16,550,076	(3,949,999)	12,600,077
Total net position	<u>\$ 306,901,761</u>	<u>\$ 545,608</u>	<u>\$307,447,369</u>	<u>\$312,904,820</u>	<u>\$ 127,111</u>	<u>\$ 313,031,931</u>

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Government-Wide Summary and Analysis, continued

Statements of Activities

	<u>2021</u>			<u>2020</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUE						
Program revenue:						
Charges for services	\$ 3,207,094	\$ 5,952,566	\$ 9,159,660	\$ 1,629,643	\$ 4,224,677	\$ 5,854,311
Operating grants	269,721	385,451	655,172	312,033	48,848	360,881
Total program revenue	<u>3,476,815</u>	<u>6,338,017</u>	<u>9,814,832</u>	<u>1,941,667</u>	<u>4,273,525</u>	<u>6,215,192</u>
General revenue:						
Taxes	15,969,817	-	15,969,817	12,247,112	-	12,247,112
Investment earnings	13,408	-	13,408	93,261	-	93,261
Gain on sale of capital asset	28,379	62,601	90,980	-	-	-
Capital asset contributions	2,186,787	-	2,186,787	2,121,943	-	2,121,943
Transfers	752,148	(752,148)	-	-	(385,073)	(385,073)
Total general revenue	<u>18,950,539</u>	<u>(689,547)</u>	<u>18,260,992</u>	<u>14,462,316</u>	<u>(385,073)</u>	<u>14,077,243</u>
Total revenue	<u>\$ 22,427,354</u>	<u>\$ 5,648,470</u>	<u>\$ 28,075,824</u>	<u>\$ 16,403,983</u>	<u>\$ 3,888,452</u>	<u>\$ 20,292,435</u>
EXPENSES						
Governmental funds	28,430,413	-	28,430,413	26,810,304	-	26,810,304
Proprietary funds	-	5,229,973	5,229,973	-	4,310,624	4,310,624
Total expenses	<u>28,430,413</u>	<u>5,229,973</u>	<u>33,660,386</u>	<u>26,810,304</u>	<u>4,310,624</u>	<u>31,124,088</u>
Change in net position	(6,003,059)	418,497	(5,584,562)	(10,406,321)	(422,172)	(10,828,493)
Beginning net position	312,904,820	127,111	313,031,931	323,311,141	549,283	323,860,424
Ending net position	<u>\$ 306,901,761</u>	<u>\$ 545,608</u>	<u>\$ 307,447,369</u>	<u>\$ 312,904,820</u>	<u>\$ 127,111</u>	<u>\$ 313,031,931</u>

Governmental Activities

Governmental net position decreased by \$6,003,059. This decrease is due primarily to depreciation of capital assets. Of the total net position, \$21,901,265 in fund balance was unrestricted and available for use as directed by the Board of Trustees.

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

Business-Type Activities

Business-type activities net position increased by \$418,497. The COVID pandemic and adverse weather conditions in the summer of 2020 caused beach park admissions to fall under the original budget by 31%. As COVID restrictions eased in 2021 admissions and other revenues returned to more normal levels.

Budgetary Highlights

The goal of the Park Board's operating budget is for current budgeted revenues to equal or exceed current budgeted expenditures. Only unforeseen or emergency circumstances will be considered justification for utilizing contingency or fund balances during the annual budget process. For discussion purposes, unless otherwise stated, budget comparisons in the Management's Discussion and Analysis are made to the revised final budget.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Government-Wide Summary and Analysis, continued

Governmental Funds:

The General Fund receives funding through interfund transfers for administrative fees from the other funds. The amount of each transfer is affected by the amount of hotel tax or park admissions each fund receives in revenue for the year. General fund transfers were over budget by \$603,457 or 40.6%, caused by the implementation of a new standard operating procedure that caps general fund transfers at 10% of actual revenues as opposed to budgeted amounts.

Beach Cleaning, Beach Patrol, Nourished Beach, and Tourism Development funds receive revenue from the hotel tax collections. Hotel occupancy collections were over budget \$6,730,598 or 72.8%. Budgeted grant reimbursement not received totaled \$5,928,748. Expenditures during the fiscal year were held under budget by management, except for Beach Cleaning and Sand Replenishment. All governmental funds showed revenues in excess of expenditures except for Sand Replenishment. Sand Replenishment expenditures exceeded revenue due to the budgeted incoming interfund transfers being eliminated in fiscal year 2020.

Enterprise Funds:

Final budgeted revenue was set at \$9,349,156 exclusive of FEMA and use of reserves. Final budgeted FEMA reimbursements or advances were \$889,000; of that amount, \$385,451 in actual funds was received. The remaining portion of the FEMA reimbursements or advances budget deficit was due to delays in the payment of advances and reimbursements. Total park admissions were under the original budget 4.6% or \$175,794 and under the final revised budget by 2.3%, or \$85,794. Delays in easing restrictions due to the COVID pandemic and adverse weather affected park admissions. Due to this loss of revenue, management held restraints on spending. Enterprise fund expenditures were under budget.

Capital Asset and Long-Term Debt Activity

For the year ended September 30, 2021, capital asset purchases and transfers include:

	Park Board (Purchases)	Moody Gardens (Transferred)
Buildings and improvements	\$ 159,886	\$ 579,395
Equipment purchases	693,414	1,577,012
Furniture and fixtures	11,669	30,381
	\$ 864,939	\$ 2,186,787

Maintenance Facility: The construction of this facility was completed in 2008. As of September 30, 2021, the mortgage principal balance was \$384,252.

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, 2020, the line balance was \$65,099.

Park Board Plaza: Renovations were financed using a municipal lease program in 2010. As of September 30, 2021, the balance of the lease was \$649,115.

Municipal Equipment & Vehicle Leases: Equipment and vehicles were purchased in 2020 using municipal lease financing. As of September 30, 2021, the balance of all previous and newly executed equipment and vehicle leases was \$88,329.

**PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Summary of Expected FEMA Cost Reimbursements Outstanding at September 30, 2021

The Park Board recognized FEMA cost reimbursements of \$385,451 for the year ended September 30, 2021 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. Accordingly, certain funds have experienced accumulated deficits.

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

	<u>Net Deficit 2021</u>	<u>Net Deficit 2020</u>
General Government	\$ (920,932)	\$ (1,233,894)
Sand Replenishment	(1,539)	(731)
R.A. Apfel Park	(1,852,427)	(1,923,568)
Dellanera Park	<u>(1,542,625)</u>	<u>(1,871,452)</u>
Total	<u>\$ (4,317,523)</u>	<u>\$ (5,029,645)</u>

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

Summary of Available Oil Spill Litigation Funds at September 30, 2021

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, 2021, 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)	\$ 20,207	\$ 353,858

Contacting the Park Board of Trustees Management

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

Email: information@galvestonparkboard.org

Online: www.galvestonparkboard.org

GOVERNMENT- WIDE FINANCIAL STATEMENTS

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Petty cash	\$ 300	\$ 15,379	\$ 15,679
Pooled cash and cash equivalents	19,411,189	-	19,411,189
Non-pooled cash and cash equivalents	429,017	-	429,017
Investment in gold	24,321	-	24,321
Due from business-type activities	2,189,489	-	2,189,489
Accounts receivable, net	2,439,954	14,431	2,454,385
Inventory	5,667	4,258	9,925
Prepaid expenses	259,914	175,167	435,081
Other	7,300	-	7,300
Capital assets, net	285,723,129	3,824,163	289,547,292
Total assets	\$ 310,490,280	\$ 4,033,398	\$ 314,523,678
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,092,047	\$ 1,022,224	\$ 2,114,271
Due to governmental activities	-	2,189,489	2,189,489
Due to Arts and Historic Preservation	398,403	-	398,403
Due to City of Galveston	712,525	-	712,525
Long-term liabilities:			
Due within one year:			
Accrued interest payable	1,978	-	1,978
Lines of credit	-	65,099	65,099
Notes payable	50,437	-	50,437
Capital lease obligations	216,469	-	216,469
Due in more than one year:			
Accrued vacation and sick pay	229,370	34,237	263,607
Notes payable	333,815	-	333,815
Capital lease obligations	520,975	-	520,975
Total liabilities	\$ 3,556,019	\$ 3,311,049	\$ 6,867,068
DEFERRED INFLOWS OF RESOURCES			
Deferred income	32,500	176,741	209,241
Total deferred inflows of resources	\$ 32,500	\$ 176,741	\$ 209,241
NET POSITION			
Invested in capital assets, net of related debt	\$ 284,601,433	\$ 3,759,064	\$ 288,360,497
Restricted for debt service	399,063	-	399,063
Unrestricted net position (deficit)	21,901,265	(3,213,456)	18,687,809
Total net position	\$ 306,901,761	\$ 545,608	\$ 307,447,369

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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 15,923,531	\$ 171,869	\$ -	\$ (15,751,662)	\$ -	\$ (15,751,662)
Tourism Development	4,974,487	354,402	-	(4,620,085)	-	(4,620,085)
Beach Cleaning	2,610,304	3,749	269,721	(2,336,834)	-	(2,336,834)
Beach Patrol	2,514,733	38,367	-	(2,476,366)	-	(2,476,366)
Nourished Beach	2,406,549	2,638,707	-	232,158	-	232,158
Sand Replenishment	808	-	-	(808)	-	(808)
Debt Service	1	-	-	(1)	-	(1)
Total governmental activities	28,430,413	3,207,094	269,721	(24,953,598)	-	(24,953,598)
Business-type activities:						
Stewart Beach	870,152	1,078,223	-	-	208,071	208,071
Seawolf Park	1,417,508	1,319,209	175,063	-	76,764	76,764
R. A. Apffel Park	553,149	610,962	132,236	-	190,049	190,049
Dellanera Park	782,359	1,115,350	78,152	-	411,143	411,143
Urban Park	1,602,460	1,771,212	-	-	168,752	168,752
East End Lagoon	4,345	57,610	-	-	53,265	53,265
Total business-type activities	5,229,973	5,952,566	385,451	-	1,108,044	1,108,044
Total government	\$ 33,660,386	\$ 9,159,660	\$ 655,172	\$ (24,953,598)	\$ 1,108,044	\$ (23,845,554)
General revenues:						
Hotel occupancy tax				\$ 15,969,817	\$ -	\$ 15,969,817
Investment earnings				13,408	-	13,408
Gain on sale of capital assets				28,379	62,601	90,980
Capital asset contributions				2,186,787	-	2,186,787
Transfers				752,148	(752,148)	-
Total General Revenues and Transfers				18,950,539	(689,547)	18,260,992
Change in net position				(6,003,059)	418,497	(5,584,562)
Net position, beginning as restated				312,904,820	127,111	313,031,931
Net position, ending				\$ 306,901,761	\$ 545,608	\$ 307,447,369

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, 2021

	General Government	Tourism Development	Beach Cleaning	Beach Patrol
ASSETS				
Petty cash	\$ 200	\$ -	\$ -	\$ 100
Pooled cash and cash equivalents	19,411,189	-	-	-
Non-pooled cash and cash equivalents	-	-	-	-
Investment in gold	-	24,321	-	-
Accounts receivable, net	24,055	816,098	754,829	523,092
Accounts receivable from government funds, net	-	502,878	83,821	83,821
Due from other funds	123,920	10,497,003	4,094,992	4,179,509
Inventory	-	5,667	-	-
Other	7,300	-	-	-
Total assets	\$ 19,566,664	\$ 11,845,967	\$ 4,933,642	\$ 4,786,522
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 685,817	\$ 236,968	\$ 128,309
Accounts payable to government funds, net	670,520	-	-	-
Due to other funds	18,978,837	108,642	1,977	23,075
Due to City of Galveston	712,525	-	-	-
Due to Arts and Historic Preservation	-	398,403	-	-
Total liabilities	\$ 20,361,882	\$ 1,192,862	\$ 238,945	\$ 151,384
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ -	\$ 32,500	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ 32,500	\$ -	\$ -
FUND BALANCES				
Nonspendable:				
Inventory	-	5,667	-	-
Investment in gold	-	24,321	-	-
Restricted:				
Debt Service	-	-	-	-
Committed:				
Sand Replenishment	-	-	-	-
Assigned:				
Tourism Development	-	10,716,331	-	-
Beach Cleaning	-	-	4,694,697	-
Beach Patrol	-	-	-	4,635,138
Nourished Beach	-	-	-	-
Unassigned	(920,932)	-	-	-
Total fund balance	\$ (920,932)	\$ 10,746,319	\$ 4,694,697	\$ 4,635,138

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, 2021

	Nourished Beach	Non-Major Funds	Total
ASSETS			
Petty cash	\$ -	\$ -	\$ 300
Pooled cash and cash equivalents	-	-	19,411,189
Non-pooled cash and cash equivalents	-	429,017	429,017
Investment in gold	-	-	24,321
Accounts receivable, net	321,880	-	2,439,954
Accounts receivable from government funds, net	-	-	670,520
Due from other funds	2,446,754	-	21,342,178
Inventory	-	-	5,667
Other	-	-	7,300
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,768,634</u>	<u>\$ 429,017</u>	<u>\$ 44,330,446</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 40,953	\$ -	\$ 1,092,047
Accounts payable to government funds, net	-	-	670,520
Due to other funds	8,665	31,493	19,152,689
Due to City of Galveston	-	-	712,525
Due to Arts and Historic Preservation	-	-	398,403
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 49,618</u>	<u>\$ 31,493</u>	<u>\$ 22,026,184</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	\$ -	\$ -	\$ 32,500
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,500</u>
FUND BALANCES			
Nonspendable:			
Inventory	-	-	5,667
Investment in gold	-	-	24,321
Restricted:			
Debt Service	-	399,063	399,063
Committed:			
Sand Replenishment	-	(1,539)	(1,539)
Assigned:			
Tourism Development	-	-	10,716,331
Beach Cleaning	-	-	4,694,697
Beach Patrol	-	-	4,635,138
Nourished Beach	2,719,016	-	2,719,016
Unassigned	-	-	(920,932)
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 2,719,016</u>	<u>\$ 397,524</u>	<u>\$ 22,271,762</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
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balance	\$	22,271,762
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		285,723,129
Accrued interest payable		(1,978)
Prepaid expenses		259,914
Accrued vacation and sick pay		(229,370)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(1,121,696)
Net assets of governmental activities	\$	<u>306,901,761</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
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Government</u>	<u>Tourism Development</u>	<u>Beach Cleaning</u>	<u>Beach Patrol</u>
REVENUES				
Hotel taxes	\$ -	\$ 7,587,548	\$ 3,508,106	\$ 3,216,048
State and local funds	-	-	269,721	-
Grant proceeds	-	-	-	-
Interest income	11,951	-	-	-
Other	171,869	354,402	3,749	38,367
Total revenues	<u>183,820</u>	<u>7,941,950</u>	<u>3,781,576</u>	<u>3,254,415</u>
EXPENDITURES				
Payroll and benefits	1,163,006	1,603,079	1,686,111	1,973,268
Advertising and publicity	-	1,362,717	-	-
Sales expense	-	62,085	-	-
Special projects	-	1,149,608	-	-
Other operating costs	598,604	856,840	719,179	388,376
Grant expenditures	-	-	-	-
Capital outlay	13,884	27,837	410,599	56,514
Total expenditures	<u>1,775,494</u>	<u>5,062,166</u>	<u>2,815,889</u>	<u>2,418,158</u>
Excess of revenues over (under) expenditures	(1,591,674)	2,879,784	965,687	836,257
OTHER FINANCING SOURCES AND (USES)				
Notes payable payments	-	-	(50,830)	-
Capital lease payments	(185,952)	(8,201)	(100,905)	(133,571)
Transfer from (to) other funds	2,090,588	(753,453)	40,620	186,422
Gain (loss) on sale of capital asset	-	-	24,438	3,941
Total other financing sources and uses	<u>1,904,636</u>	<u>(761,654)</u>	<u>(86,677)</u>	<u>56,792</u>
Net change in fund balance	312,962	2,118,130	879,010	893,049
Fund balance, beginning of year as restated	<u>(1,233,894)</u>	<u>8,628,189</u>	<u>3,815,687</u>	<u>3,742,089</u>
Fund balance, end of year	<u>\$ (920,932)</u>	<u>\$ 10,746,319</u>	<u>\$ 4,694,697</u>	<u>\$ 4,635,138</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, 2021

	<u>Nourished Beach</u>	<u>Non-Major Funds</u>	<u>Total</u>
REVENUES			
Hotel taxes	\$ 1,658,115	\$ -	\$ 15,969,817
State and local funds	-	-	269,721
Grant proceeds	1,985,000	-	1,985,000
Interest income	-	1,457	13,408
Other	653,707	-	1,222,094
Total revenues	<u>4,296,822</u>	<u>1,457</u>	<u>19,460,040</u>
EXPENDITURES			
Payroll and benefits	91,458	-	6,516,922
Advertising and publicity	-	-	1,362,717
Sales expense	-	-	62,085
Special projects	-	-	1,149,608
Other operating costs	330,091	809	2,893,899
Grant expenditures	1,985,000	-	1,985,000
Capital outlay	-	-	508,834
Total expenditures	<u>2,406,549</u>	<u>809</u>	<u>14,479,065</u>
Excess of revenues over (under) expenditures	1,890,273	648	4,980,975
OTHER FINANCING SOURCES AND (USES)			
Notes payable payments	-	-	(50,830)
Capital lease payments	-	-	(428,629)
Transfer from (to) other funds	(812,029)	-	752,148
Gain (loss) on sale of capital asset	-	-	28,379
Total other financing sources and uses	<u>(812,029)</u>	<u>-</u>	<u>301,068</u>
Net change in fund balance	1,078,244	648	5,282,043
Fund balance, beginning of year as restated	<u>1,640,772</u>	<u>396,876</u>	<u>16,989,719</u>
Fund balance, end of year	<u>\$ 2,719,016</u>	<u>\$ 397,524</u>	<u>\$ 22,271,762</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, 2021**

Net change in fund balances-total governmental funds \$ 5,282,043

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

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

Expenditures for capital assets	508,834	
Capital financing asset	94,805	
Capital assets contributed	2,186,787	
Less current year depreciation	(14,530,784)	(11,740,358)

Decrease in accrued interest		9,540
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Increase in prepaid expenses		107,734
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Increase in vacation and sick pay		(46,672)
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Loan proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets. Repayment of notes and bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Capital financing additions	(94,805)	
Principal payments - notes payable	50,830	
Principal payments - capital lease	428,629	384,654

Change in net assets of governmental activities		\$ (6,003,059)
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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, 2021

Business-Type Activities - Enterprise Funds

	Seawolf Park	R.A. Apfel Park	Dellanera Park	Urban Park	Non-Major Funds		Total
					Stewart Beach Park	East End Lagoon	
ASSETS							
Current assets:							
Petty cash	\$ 700	\$ 3,950	\$ 1,029	\$ -	\$ 9,700	\$ -	\$ 15,379
Accounts receivable, net	12,491	1,865	75	-	-	-	14,431
Inventory	-	-	4,258	-	-	-	4,258
Prepaid expenses	20,505	59,742	24,204	193	70,523	-	175,167
Due from other funds	819,527	-	-	806,157	1,115,830	72,054	2,813,568
Total current assets	853,223	65,557	29,566	806,350	1,196,053	72,054	3,022,803
Property and equipment, net	1,601,819	1,446,618	342,088	-	433,638	-	3,824,163
Total assets	<u>\$ 2,455,042</u>	<u>\$ 1,512,175</u>	<u>\$ 371,654</u>	<u>\$ 806,350</u>	<u>\$ 1,629,691</u>	<u>\$ 72,054</u>	<u>\$ 6,846,966</u>
LIABILITIES AND NET POSITION							
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 87,820	\$ 20,585	\$ 58,585	\$ 800,782	\$ 52,632	\$ 1,820	\$ 1,022,224
Line of credit	-	58,420	-	-	6,679	-	65,099
Deferred income	-	-	171,587	-	5,154	-	176,741
Due to other funds	-	3,279,830	1,675,511	-	-	47,716	5,003,057
Total current liabilities	87,820	3,358,835	1,905,683	800,782	64,465	49,536	6,267,121
Accrued vacation and sick pay	6,784	5,767	8,596	9,691	3,399	-	34,237
Total liabilities	94,604	3,364,602	1,914,279	810,473	67,864	49,536	6,301,358
NET POSITION							
Invested in capital assets, net	1,601,819	1,388,198	342,088	-	426,959	-	3,759,064
Unrestricted net position (deficit)	758,619	(3,240,625)	(1,884,713)	(4,123)	1,134,868	22,518	(3,213,456)
Total net position (deficit)	2,360,438	(1,852,427)	(1,542,625)	(4,123)	1,561,827	22,518	545,608
Total liabilities and net position	<u>\$ 2,455,042</u>	<u>\$ 1,512,175</u>	<u>\$ 371,654</u>	<u>\$ 806,350</u>	<u>\$ 1,629,691</u>	<u>\$ 72,054</u>	<u>\$ 6,846,966</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, 2021

Business-Type Activities - Enterprise Funds

	Seawolf Park	R.A. Apffel Park	Dellanera Park	Urban Park	Non-Major Funds		Total
					Stewart Beach Park	East End Lagoon	
Operating revenue							
Sales and services	\$ 1,316,634	\$ 604,282	\$ 1,115,350	\$ 1,771,212	\$ 1,066,842	\$ 57,592	\$ 4,615,278
Operating expenses							
Costs of sales and services	1,129,605	407,551	636,113	1,600,900	754,255	4,345	3,403,164
Depreciation and amortization	204,139	143,133	123,916	1,560	73,795	-	342,404
Total operating expenses	<u>1,333,744</u>	<u>550,684</u>	<u>760,029</u>	<u>1,602,460</u>	<u>828,050</u>	<u>4,345</u>	<u>3,745,568</u>
Operating income (loss)	(17,110)	53,598	355,321	168,752	238,792	53,247	869,710
Non-operating revenues (expenses)							
FEMA reimbursement	175,063	132,236	78,152	-	-	-	210,388
Contingency	-	-	-	-	(41,232)	-	(41,232)
Storm repairs	(83,764)	(2,465)	(22,330)	-	(870)	-	(25,665)
Gain (loss) on sale of equipment	2,102	26,082	3,339	4,246	26,832	-	60,499
Other	2,575	6,680	-	-	11,381	18	18,079
Total non-operating revenues (expenses)	<u>95,976</u>	<u>162,533</u>	<u>59,161</u>	<u>4,246</u>	<u>(3,889)</u>	<u>18</u>	<u>222,069</u>
Income (loss) before transfers	78,866	216,131	414,482	172,998	234,903	53,265	1,091,779
Transfers, net	<u>(125,115)</u>	<u>(144,990)</u>	<u>(85,655)</u>	<u>(177,121)</u>	<u>(182,818)</u>	<u>(36,449)</u>	<u>(627,033)</u>
Changes in net position	(46,249)	71,141	328,827	(4,123)	52,085	16,816	464,746
Net position, beginning of year	2,406,687	(1,923,568)	(1,871,452)	-	1,509,742	5,702	(2,279,576)
Net position, end of year	<u>\$ 2,360,438</u>	<u>\$ (1,852,427)</u>	<u>\$ (1,542,625)</u>	<u>\$ (4,123)</u>	<u>\$ 1,561,827</u>	<u>\$ 22,518</u>	<u>\$ (1,814,830)</u>

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-Type Activities - Enterprise Funds

	Non-Major Funds						Total
	Seawolf Park	R.A. Appfel Park	Dellanera Park	Urban Park	Stewart Beach Park	East End Lagoon	
Cash flows from operating activities:							
Cash received from customers	\$ 1,304,493	\$ 627,089	\$ 1,157,891	\$ 1,771,212	\$ 1,082,675	\$ 57,592	\$ 4,696,459
Cash paid to suppliers and employees	(1,460,389)	(418,038)	(602,031)	(904,408)	(681,956)	(11,285)	(2,617,718)
Net cash provided by (used in) operating activities	(155,896)	209,051	555,860	866,804	400,719	46,307	2,078,741
Cash flows from noncapital financing activities:							
Increase (decrease) in accrued vacation	(649)	3,269	377	4,123	(816)	-	6,953
Increase (decrease) in due (from) or to General Fund	204,520	(203,171)	(362,765)	(698,038)	(204,903)	(9,876)	(1,478,753)
Non-operating income (expense)	93,460	136,451	55,822	-	(30,721)	18	161,570
Transfers to other funds	(124,701)	(144,990)	(85,655)	(177,121)	(182,818)	(36,449)	(627,033)
Net cash provided by (used in) noncapital financing activities	172,630	(208,441)	(392,221)	(871,036)	(419,258)	(46,307)	(1,937,263)
Cash flows from capital and related financing activities:							
Line of credit proceeds	-	47,649	-	-	-	-	47,649
Principal payments on debt obligations	-	-	-	(14)	(4,093)	-	(4,107)
Net cash provided by (used in) capital and related financing activities	-	47,649	-	(14)	(4,093)	-	43,542
Cash flows from investing activities:							
Purchase of capital assets	(18,836)	(75,390)	(167,074)	-	-	-	(242,464)
Gain on disposal of capital assets	2,102	26,082	3,339	4,246	26,832	-	60,499
Net cash used in investing activities	(16,734)	(49,308)	(163,735)	4,246	26,832	-	(181,965)
Net increase (decrease) in cash	-	(1,049)	(96)	-	4,200	-	3,055
Cash at beginning of year	700	4,999	1,125	-	5,500	-	11,624
Cash at end of year	\$ 700	\$ 3,950	\$ 1,029	\$ -	\$ 9,700	\$ -	\$ 14,679
Reconciliation of net income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (17,110)	\$ 53,598	\$ 355,321	\$ 168,752	\$ 168,752	\$ 53,247	\$ 799,670
Adjustments to reconcile operating income to net cash from operating activities:							
Depreciation and amortization	204,139	143,133	123,916	1,560	1,560	-	270,169
(Increase) decrease in accounts receivable	(12,141)	22,807	430	-	15,833	-	39,070
Decrease in inventory	-	-	1,211	-	-	-	1,211
(Increase) decrease in prepaid expenses	(735)	(2,819)	(623)	(193)	60,795	-	57,160
Increase in deferred income	-	-	42,111	-	-	-	42,111
Increase (decrease) in accounts payable and accrued liabilities	(330,049)	(7,668)	33,494	696,685	11,504	(6,940)	727,075
Net cash provided by (used in) operating activities	\$ (155,896)	\$ 209,051	\$ 555,860	\$ 866,804	\$ 258,444	\$ 46,307	\$ 1,936,466

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, 2021.

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 fund and for other major governmental and enterprise funds. A fund is considered major if it meets both of the following criteria:

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

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

Governmental Funds

The Park Board reports major governmental funds as follows:

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

Tourism Development - Accounts for all promotion and advertising.

Beach Cleaning - Accounts for beach maintenance.

Beach Patrol - Accounts for lifeguard and rescue services.

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

Proprietary Funds

The Park Board reports major enterprise funds as follows: Seawolf Park, R. A. Apffel Park, Dellanera Park and Urban 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 FEMA grant revenue received in relation to damages caused to parks and property by Hurricane Ike.

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

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

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

Governmental Fund Balances

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting

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

Governmental Fund Statements

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

Proprietary Fund Statements

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

Government-Wide Statements

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investment in Gold

The Park Board's investment in gold is measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses on investments, resulting from fair value fluctuations, are recorded in the period that such fluctuations occur. Realized gains and losses on the sale of investments are reported in the period in which the gains and losses are recognized.

Receivables and Allowance for Doubtful Accounts

Accounts receivable at September 30, 2021 related primarily to hotel occupancy taxes occurred before September 30, 2021 but were collected subsequent to year end. All accounts receivable are shown net of any allowances for doubtful accounts. A provision is made for doubtful accounts, when considered necessary by management, to reflect accounts receivable at their estimated realizable value. Receivables are considered past due when payments are not made according to contractual terms. As of September 30, 2021, 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, 2021 are recorded as prepaid expenses.

Interfund Balances

In the ordinary course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds", respectively, on the governmental fund balance sheet and proprietary fund statement of net position. Residual balances between the governmental activities and business-type activities are reported in the government-wide statement of net position as "due from business-type activities" and "due to governmental activities". Amounts due to or from funds within the same fund type have been eliminated.

Capital Assets

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

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

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

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

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

Capital assets are defined as items of property that:

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

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

2. Summary of Significant Accounting Policies, continued

Impairment of Long-Lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2021, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Compensated Absences

Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Park Board. Accrued vacations shall lapse if vacations are not taken within certain time constraints. 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, 2021, the Park Board's deferred inflows of resources relate to deferred revenue from advance park sales and advertising subscriptions for which services have not yet been provided by the Park Board.

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.

New Accounting Standards

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

GASB Statement No. 87, Leases. This statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement requires additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 92, Omnibus 2020. 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 OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
NOTES TO 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, 2021, the Park Board's deposits with financial institutions of \$19,855,885 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>19,355,885</u>
Total bank balance	<u>\$ 19,855,885</u>

4. Investments

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

As of September 30, 2021, 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.

5. Fair Value Measurements

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

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

- Level 2** Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

5. Fair Value Measurements, continued

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Gold	\$ 24,321	\$ -	\$ -	\$ 24,321
Total investments in the fair value hierarchy	<u>\$ 24,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,321</u>

6. Accounts Receivable

As of September 30, 2021, accounts receivable consists of the following:

	<u>State of Texas</u>	<u>Other</u>	<u>Total</u>
Governmental activities	\$ 2,876,231	\$ 234,243	\$ 3,110,474
Business-type activities	-	14,431	14,431
Total accounts receivable	<u>\$ 2,876,231</u>	<u>\$ 248,674</u>	<u>\$ 3,124,905</u>

7. Hotel Occupancy Tax

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

The Park Board collects 100% of the local HOT levied directly and retains 44.44% of the total collected. The Park Board distributes the remaining 55.6% to the City of Galveston and the Arts & Historic Preservation. The State of Texas rebates 33.3% of the HOT levied directly by the state to the City of Galveston, who distributes the funds to the Park Board. The funds rebated by the state are used for beach maintenance and patrol.

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

7. Hotel Occupancy Tax, continued

As of September 30, 2021, the amounts due to the City of Galveston and the Arts & Historical Preservation were \$398,403 and \$712,525, respectively. HOT income 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.

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 HOT revenue in the period in which it occurred. The impact of the prior period adjustment on fund financial statements was a change of estimate when the funds become measurable and available.

Impact to the Government-wide Statement of Activities at September 30, 2020:

	Governmental Activities
Net position at September 30, 2020, as previously reported	\$ 310,934,915
To recognize HOT revenue in period occurred	1,969,905
Net position at September 30, 2020, as restated	\$ 312,904,820

Impact to the Fund Level Statement of Revenues, Expenditures and Changes in Fund Balance:

	Governmental Funds			
	Nourished Beach	Tourism Development	Beach Cleaning	Beach Patrol
Net position at September 30, 2020, as previously reported	\$ 1,369,025	\$ 7,871,799	\$ 3,360,759	\$ 3,296,158
To recognize HOT revenue in period occurred	271,714	758,083	493,984	446,124
Net position at September 30, 2020, as restated	\$ 1,640,772	\$ 7,871,799	\$ 3,854,743	\$ 3,742,282

8. 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, 2021, the following interfund balances comprise the net interfund receivable and payable reflected in the government-wide statement of net position:

	Receivable Fund	Payable Fund	Amount
Governmental activities:	General Government	R.A. Apffel Park	\$ 3,279,830
	General Government	Dellanera Park	1,675,511
	General Government	East End Lagoon	47,716
		Total due from business-type activities	5,003,057
Business-type activities:	Stewart Beach	General Government	\$ 1,115,830
	Seawolf Park	General Government	819,527
	Urban Park	General Government	806,157
	East End Lagoon	General Government	72,054
		Total due from governmental activities	2,813,568
		Net due from business-type activities (due to governmental activities)	\$ 2,189,489

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

8. Interfund Balances and Transfers, continued

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.

9. Capital Assets

For the year ended September 30, 2021, capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital asset cost:				
Land	\$ 799,457	\$ -	\$ -	\$ 799,457
Contributed assets	568,007,749	2,186,787	-	570,194,536
Buildings and improvements	7,530,997	13,886	-	7,544,883
Equipment	1,746,872	584,479	(33,416)	2,297,935
Autos	2,107,790	-	(417,636)	1,690,154
Furniture and fixtures	204,685	5,274	-	209,959
Other improvements	<u>320,675</u>	<u>-</u>	<u>-</u>	<u>320,675</u>
Total capital asset cost	<u>580,718,225</u>	<u>2,790,426</u>	<u>(451,052)</u>	<u>583,057,599</u>
Less accumulated depreciation:				
Contributed assets	274,091,593	13,805,958	-	287,897,551
Buildings and improvements	5,465,550	367,465	-	5,833,015
Equipment	1,541,209	98,453	(33,416)	1,606,246
Autos	1,741,601	244,305	(417,636)	1,568,270
Furniture and fixtures	197,458	1,527	-	198,985
Other improvements	<u>217,327</u>	<u>13,076</u>	<u>-</u>	<u>230,403</u>
Total accumulated depreciation	<u>283,254,738</u>	<u>14,530,784</u>	<u>(451,052)</u>	<u>297,334,470</u>
Governmental activities capital assets, net	<u>\$ 297,463,487</u>	<u>\$ (11,740,358)</u>	<u>\$ -</u>	<u>\$ 285,723,129</u>
<u>Business-type Activities</u>				
Capital asset cost:				
Land	\$ 592,517	\$ -	\$ -	\$ 592,517
Buildings and improvements	9,925,806	111,762	-	10,037,568
Equipment	873,524	108,905	(158,718)	823,711
Autos	437,445	-	(146,074)	291,371
Furniture and fixtures	112,989	6,395	(14,222)	105,162
Other improvements	3,869,659	34,238	-	3,903,897
Construction in progress	<u>84,251</u>	<u>-</u>	<u>-</u>	<u>84,251</u>
Total capital asset cost	<u>15,896,191</u>	<u>261,300</u>	<u>(319,014)</u>	<u>15,838,477</u>
Less accumulated depreciation:				
Buildings and improvements	7,873,002	275,691	-	8,148,693
Equipment	1,251,716	40,544	(158,718)	1,133,542
Autos	444,289	10,866	(146,074)	309,081
Furniture and fixtures	202,022	6,506	(14,222)	194,306
Other improvements	<u>2,015,756</u>	<u>212,936</u>	<u>-</u>	<u>2,228,692</u>
Total accumulated depreciation	<u>11,786,785</u>	<u>546,543</u>	<u>(319,014)</u>	<u>12,014,314</u>
Business-type activities capital assets, net	<u>\$ 4,109,406</u>	<u>\$ (285,243)</u>	<u>\$ -</u>	<u>\$ 3,824,163</u>

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

9. Capital Assets, continued

As of September 30, 2021, depreciation expense was charged to governmental and business-type activities as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 14,143,962	Stewart Beach Park	\$ 73,795
Beach Cleaning	208,461	Seawolf Park	204,139
Beach Patrol	157,002	R.A. Apffel Park	143,133
Tourism Development	21,359	Dellanera Park	123,916
Total expense	<u>\$ 14,530,784</u>	Urban Park	1,560
		Total expense	<u>\$ 546,543</u>

Contributed Capital Assets

Seawolf Park Enterprise Fund

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

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

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

Capital Asset Contributions

In accordance with certain contractual agreements between the Park Board, The Moody Foundation, Inc., Moody Gardens, Inc., and The Colonel Museum, Inc., the Park Board has taken conveyance and assumed ownership of various facilities constructed or purchased by The Moody Foundation. Furthermore, it is agreed that these facilities will be operated by Moody Gardens, Inc. and the Colonel Museum, Inc. The agreements include restrictions regarding the use and disposition of items and facilities contributed. Capital Asset Contributions totaled \$2,186,787 for the year ended September 30, 2021.

10. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
Long-term debt:					
Notes payable	\$ 435,082	\$ -	\$ (50,830)	\$ 384,252	\$ 50,437
Capital leases	1,071,268	94,805	(428,629)	737,444	216,469
Total long-term debt	<u>1,506,350</u>	<u>94,805</u>	<u>(479,459)</u>	<u>1,121,696</u>	<u>266,906</u>
Other long-term liabilities:					
Accrued interest payable	11,518	65,966	(75,506)	1,978	1,978
Compensated absences	182,698	93,324	(46,652)	229,370	-
Total other liabilities	<u>194,216</u>	<u>158,290</u>	<u>(122,158)</u>	<u>231,348</u>	<u>1,978</u>
Total long-term liabilities	<u>\$ 1,700,566</u>	<u>\$ 254,095</u>	<u>\$ (601,617)</u>	<u>\$ 1,353,044</u>	<u>\$ 268,884</u>

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

10. Long-Term Liabilities, continued

Business-Type Activities

Long-term debt:					
Lines of credit	\$ 21,544	\$ 43,555	\$ -	\$ 65,099	\$ 65,099
Capital leases	<u>10,568</u>	<u>-</u>	<u>(10,568)</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>32,112</u>	<u>43,555</u>	<u>(10,568)</u>	<u>65,099</u>	<u>65,099</u>
Other long-term liabilities:					
Accrued interest payable	-	875	(875)	-	-
Compensated absences	<u>27,935</u>	<u>7,768</u>	<u>(1,466)</u>	<u>34,237</u>	<u>-</u>
Total other liabilities	<u>27,935</u>	<u>8,643</u>	<u>(2,341)</u>	<u>34,237</u>	<u>-</u>
Total long-term liabilities	<u>\$ 60,047</u>	<u>\$ 52,198</u>	<u>\$ (12,909)</u>	<u>\$ 99,336</u>	<u>\$ 65,099</u>

Lines of credit

Effective November 30, 2019, the Park Board renewed and extended an existing \$540,000 line of credit agreement with Moody Bank, secured by a Certificate of Deposit, to finance capital improvements and automobile purchases. Interest, at a rate of 1.95% per annum, is due and payable monthly based on the amount drawn beginning on December 30, 2019. Principal and accrued unpaid interest is due and payable on November 30, 2020. As of September 30, 2021, the balance of the line of credit was \$65,099.

Effective July 28, 2020, the Park Board renewed and extended an existing \$3,000,000 line of credit agreement with Moody Bank, secured by a blanket UCC on all personal property, to fund the completion of FEMA-approved infrastructure projects. Interest, at a rate of 5.25%, on outstanding advances is due and payable monthly. Principal and accrued unpaid interest was paid in full on January 24, 2021.

Notes Payable

Effective February 22, 2013, the Park Board renewed and extended an existing \$800,000 loan agreement with Moody Bank, bearing interest at 5.90% per annum, and secured by certain real estate property within the city of Galveston, for the construction of a maintenance facility. Principal and interest payments of \$5,968 are due and payable in monthly installments until maturity on February 22, 2023, when all remaining principal and accrued unpaid interest will be due and payable. As of September 30, 2021, the balance of the loan is \$384,252. Principal and interest maturities for the next five fiscal years are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 50,437	\$ 21,174
2023	<u>333,815</u>	<u>56,564</u>
Total	<u>\$ 384,252</u>	<u>\$ 77,738</u>

Capital Leases

Effective November 15, 2009, the Park Board entered into a \$2,232,041 Equipment Lease-Purchase agreement with All American Investment ("Lessor"), bearing interest at 5.40% per annum, and secured by certain real estate property within the city of Galveston, for improvements and renovations of the Park Board's main office location. Principal and interest payments of \$54,762 are due and payable in quarterly installments until maturity on December 15, 2024 when all remaining principal and accrued unpaid interest will be due and payable. The Park Board has the option of purchasing the leased equipment prior to the scheduled quarterly payment upon 30 days written notice to the Lessor. As of September 30, 2021, the balance of the agreement is \$649,115. Principal maturities are as follows:

<u>Year Ended</u>	<u>Amount</u>
2022	187,764
2023	198,110
2024	<u>263,241</u>
Total	<u>\$ 649,115</u>

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

10. Long-Term Liabilities, continued

Capital Leases, continued

As of September 30, 2021, the gross amount of assets recorded under this capital lease, and the related accumulated amortization, by major class, is as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Buildings and improvements	\$ 1,906,293	\$ 1,485,740
Furniture and fixtures	<u>199,685</u>	<u>219,628</u>
Total	<u>\$ 2,105,978</u>	<u>\$ 1,705,368</u>

For the year ended September 30, 2021, depreciation expense of the assets under this capital lease was \$147,907.

The Park Board has various capital lease agreements with Kansas State Bank ("Lessor") for the lease/purchase of equipment and vehicles. The existing leases have varying maturity dates with the longest current lease expiring on August 27, 2022. Principal and interest payments are due and payable in annual installments until maturity when all remaining principal and accrued unpaid interest will be due and payable. The Park Board has the option of purchasing the leased equipment prior to the scheduled annual payment upon 30 days written notice to the Lessor. As of September 30, 2021, the balance of these agreements is \$9,925. Principal maturities are as follows:

<u>Year Ended</u>	<u>Amount</u>
2022	\$ <u>9,925</u>
Total	<u>\$ 9,925</u>

As of September 30, 2021, the gross amount of assets recorded under these capital leases, and the related accumulated amortization, by major class, is as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Autos	\$ 433,989	\$ 342,239
Equipment	<u>180,347</u>	<u>155,299</u>
Total	<u>\$ 614,336</u>	<u>\$ 497,538</u>

For the year ended September 30, 2021, depreciation expense of the assets under this capital lease was \$204,779.

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, 2021, the balance of these agreements is \$78,404. Principal maturities are as follows:

<u>Year Ended</u>	<u>Amount</u>
2022	\$ 18,780
2023	19,918
2024	21,126
2025	<u>18,580</u>
Total	<u>\$ 78,404</u>

As of September 30, 2021, the gross amount of assets recorded under these capital lease, and the related accumulated amortization, by major class, is as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 94,805	\$ 22,121

For the year ended September 30, 2021, depreciation expense of the assets under this capital lease was \$22,121.

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

10. Long-Term Liabilities, continued

Interest Expense

Interest expense on long-term debt of \$66,841 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.

PPP Loan

During March 2021, the Park Board entered into a SBA Paycheck Protection Program (“PPP”) loan for \$298,855. The note bore interest at a rate of 1.0% and the maturity date was March 2026. The Park Board submitted the application and received forgiveness for the PPP Loan in September 2021. The resulting other income is included in the government wide statement of activities and the governmental fund statement of revenues, expenditures and changes in fund balance.

To receive first draw PPP loans, the applicant must have fewer than 500 employees. Applications for forgiveness can then be made provided that the funds are used for the purposes stated in the loan, including primarily employee labor costs. The application for these loans requires the Park Board to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the organization.

Some of the uncertainties related to the Park Board's operations that are directly related to COVID-19 include, but are not limited to, the severity of the virus, the duration of the outbreak, governmental, business or other actions (which could include limitations on operations or mandates to provide products or services), and the effect on customer demand or changes to operations. In addition, the health of the Park Board's workforce, and its ability to meet staffing needs in its critical functions are uncertain and is vital to its operations. The PPP Loan certification further requires the Park Board to take into account the Park Board's current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

The receipt of the funds, and the forgiveness of the loans attendant to the funds, is dependent on the Park Board having initially qualified for the loan and qualifying for the forgiveness of such loan based on the Park Board's future adherence to the forgiveness criteria. The PPP loan is subject to any new guidance and new requirements released by the Department of the Treasury who has indicated that all companies that have received funds in excess of \$2,000,000 may be subject to SBA audit to further ensure SBA loans are limited to eligible borrowers in need.

11. Defined Contribution Pension Plan

The Park Board contributes to the Galveston Park Board Defined Contribution Plan (“Pension Plan”), which is a defined contribution pension plan. Any employee of the Park Board is eligible to participate in the Pension Plan upon attaining the age of twenty and one-half (20½) years and the completion of six (6) months of service. Employee contributions vest immediately while contributions made by the Park Board vest upon a graduating scale from twenty percent (20%) after two years of service to 100% after six (6) years of service. An employee who leaves the employment of the Park Board is entitled to his or her accumulated contributions and the Park Board's accumulated contributions to the extent that vesting rights have been attained.

The Park Board makes employer matching contributions equal to five percent (5%) of each participant's eligible contributions. Participants must contribute at least three percent (3%) of eligible compensation in order to receive the employer matching contribution. During the year ended September 30, 2021, the Park Board made employer matching contributions of \$188,008.

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

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

12. Deferred Compensation Plan

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

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

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

13. 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.

14. Contingencies and Uncertainties

Taxing Authorities and Federal and State Agencies

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

Texas General Land Office – During the year ending September 30, 2021, the Park Board received \$1,985,000 from the Industrial Development Corporation (“IDC”) through an Economic Development Grant Agreement (the “ED Grant”), which was immediately funded to the GLO for the purpose of beach nourishment. This funding was part of a \$13,000,000 total commitment by the Park Board for funding of two cycles of a beneficial dredging project for Babe’s Beach in Galveston, Texas in 2021 and 2023. The Park Board’s commitment to this project is expected to be funded by grants from the IDC through the ED Grant and the Texas Commission on Environmental Quality through funds made available by the 2012 RESTORE Act.

During the year ending September 30, 2021, the Park Board received reimbursements of \$239,523 from the GLO under a prior Coastal Erosion Planning and Response Act grant contract.

Federal Emergency Management Agency – During the year ending September 30, 2021, the Park Board received \$385,451 in federal reimbursements and there were no outstanding receivables at year end representing federal reimbursements.

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act”.

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

14. Contingencies and Uncertainties, continued

COVID-19, continued

The CARES Act, among other things, includes provisions relating to deferment of employer side social security payments and appropriated funds for PPP loans that are forgivable in certain situations to promote continued employment to provide liquidity to small businesses harmed by COVID-19.

The Park Board is continues to monitor the impact of the situation on its financial condition, liquidity, and operations.

15. 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.

16. Subsequent Events

Management has evaluated subsequent events through March 16, 2022, the date the financial statements were available to be issued and has concluded that there were no significant events to be reported.

SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION
(Unaudited)

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON, TEXAS
SUMMARY BUDGETARY COMPARISON SCHEDULE
GENERAL GOVERNMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Administrative fees	\$ 1,487,131	\$ 1,487,131	\$ 2,090,588	\$ 603,457
Interest income	112,000	112,000	11,951	(100,049)
Other revenues	429,698	429,698	171,869	(257,829)
Total revenues	<u>2,028,829</u>	<u>2,028,829</u>	<u>2,274,408</u>	<u>245,579</u>
Expenditures				
Payroll and benefits	1,168,865	1,168,865	1,163,006	(5,859)
Contract services	84,315	84,315	65,286	(19,029)
Data processing and software maintenance	74,995	74,995	67,247	(7,748)
Legal and professional	65,846	65,846	90,929	25,083
Insurance	107,850	107,850	118,945	11,095
Repairs and maintenance	84,107	84,107	34,296	(49,811)
Communication	22,182	22,182	27,011	4,829
Utilities	29,100	29,100	26,431	(2,669)
Supplies	17,325	17,325	16,751	(574)
Gasoline	1,750	1,750	437	(1,313)
Improvements and equipment	10,550	10,550	13,884	3,334
Meetings and seminars	8,950	8,950	8,364	(586)
Interest expense	41,089	41,089	43,960	2,871
Other expenditures	122,247	122,247	98,947	(23,300)
Total expenditures	<u>1,839,171</u>	<u>1,839,171</u>	<u>1,775,494</u>	<u>(63,677)</u>
Revenues over (under) expenditures	189,658	189,658	498,914	309,256
Other financing sources (uses)				
Loan payments	(177,958)	(177,958)	-	177,958
FEMA reimbursement	-	-	-	-
Capital lease payments	(11,700)	(11,700)	(185,952)	(174,252)
Total other financing sources (uses)	<u>(189,658)</u>	<u>(189,658)</u>	<u>(185,952)</u>	<u>3,706</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,962</u>	<u>\$ 312,962</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
TOURISM DEVELOPMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 4,619,610	\$ 4,619,610	\$ 7,587,548	\$ 2,967,938
Other revenues	963,958	963,958	354,402	(609,556)
Total revenues	<u>5,583,568</u>	<u>5,583,568</u>	<u>7,941,950</u>	<u>2,358,382</u>
Expenditures				
Payroll and benefits	1,522,715	1,669,089	1,603,079	(66,010)
Contract services	115,877	118,705	103,452	(15,253)
Copy lease	14,765	14,765	786	(13,979)
Data processing and software maintenance	66,978	94,294	85,258	(9,036)
Legal and professional	75,060	99,060	99,794	734
Insurance	15,801	15,801	14,180	(1,621)
Repairs and maintenance	9,100	11,105	6,065	(5,040)
Communication	47,440	47,440	39,869	(7,571)
Supplies	9,580	9,580	6,583	(2,997)
Improvements and equipment	21,688	39,135	34,058	(5,077)
Office rent	82,516	82,516	83,216	700
Marketing and advertising	1,592,660	1,610,565	1,462,805	(147,760)
Interest expense	-	-	3,060	3,060
Gasoline	1,000	1,000	660	(340)
Administrative fees	462,000	462,000	753,453	291,453
Special projects	1,158,291	1,245,968	1,149,608	(96,360)
Collateral	130,250	110,150	85,138	(25,012)
Other expenditures	257,847	250,050	284,555	34,505
Total expenditures	<u>5,583,568</u>	<u>5,881,223</u>	<u>5,815,619</u>	<u>(65,604)</u>
Revenues over (under) expenditures	-	(297,655)	2,126,331	2,423,986
Other financing sources (uses)				
Loan proceeds	-	298,855	-	(298,855)
Capital lease payments	-	-	(8,201)	(8,201)
Total other financing sources (uses)	<u>-</u>	<u>298,855</u>	<u>(8,201)</u>	<u>(307,056)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>1,200</u>	<u>\$ 2,118,130</u>	<u>\$ 2,116,930</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
BEACH CLEANING
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 1,950,400	\$ 1,950,400	\$ 3,508,106	\$ 1,557,706
State and local funds	300,000	300,000	269,721	(30,279)
Other revenues	228,096	228,096	3,749	(224,347)
Total revenues	2,478,496	2,478,496	3,781,576	1,303,080
Expenditures				
Payroll and benefits	1,967,122	1,967,122	1,686,111	(281,011)
Legal and professional	86,480	86,480	76,048	(10,432)
Copy lease	50	50	-	(50)
Data processing and software maintenance	6,702	6,702	5,967	(735)
Contract services	38,097	38,097	38,698	601
Insurance	89,238	89,238	86,011	(3,227)
Repairs and maintenance	88,500	88,500	76,191	(12,309)
Communication	16,810	16,810	21,265	4,455
Utilities	18,000	18,000	17,166	(834)
Supplies	49,200	49,200	37,122	(12,078)
Improvement and equipment	247,033	247,033	422,620	175,587
Gasoline	63,975	63,975	80,785	16,810
Dumping fee	40,000	40,000	49,630	9,630
Interest expense	24,057	24,057	25,067	1,010
Storm repairs	1,945	1,945	3,045	1,100
Administrative fees	249,651	249,651	344,726	95,075
Other expenditures	17,490	17,490	38,428	20,938
Total expenditures	3,004,350	3,004,350	3,008,880	4,530
Revenues over (under) expenditures	(525,854)	(525,854)	772,696	1,298,550
Other financing sources (uses)				
Loan proceeds	171,400	171,400	-	(171,400)
Loan payments	(47,554)	(47,554)	(50,830)	(3,276)
FEMA reimbursement	102,000	102,000	-	(102,000)
Capital lease payments	(86,441)	(86,441)	(100,905)	(14,464)
Transfer from (to) other funds	386,449	386,449	233,611	(152,838)
Gain on sale of capital asset	-	-	24,438	24,438
Total other financing sources (uses)	525,854	525,854	106,314	(419,540)
Excess of revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 879,010	\$ 879,010

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, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Hotel taxes	\$ 1,796,565	\$ 1,796,565	\$ 3,216,048	\$ 1,419,483
Other revenues	761,538	761,538	38,367	(723,171)
Total revenues	2,558,103	2,558,103	3,254,415	696,312
Expenditures				
Payroll and benefits	2,069,827	2,069,827	1,973,268	(96,559)
Contract services	3,820	3,820	3,427	(393)
Legal and professional	11,603	11,603	14,672	3,069
Copy lease	1,200	1,200	-	(1,200)
Data processing and software maintenance	11,320	11,320	9,918	(1,402)
Insurance	29,500	29,500	32,488	2,988
Repairs and maintenance	50,775	50,775	59,278	8,503
Communication	52,272	52,272	32,555	(19,717)
Supplies	40,050	39,250	33,439	(5,811)
Gasoline	38,000	38,000	13,862	(24,138)
Improvements and equipment	57,170	70,142	63,728	(6,414)
Office rent	21,500	21,500	21,500	-
Interest expense	1,835	1,835	-	(1,835)
Contingency - Board approved reserve	150,000	150,000	-	(150,000)
Administrative fees	229,960	229,960	316,187	86,227
Other expenditures	157,559	158,359	160,023	1,664
Total expenditures	2,926,391	2,939,363	2,734,345	(205,018)
Revenues over (under) expenditures	(368,288)	(381,260)	520,070	901,330
Other financing sources (uses)				
Loan proceeds	235,053	235,053	-	(235,053)
Capital lease payments	(367,857)	(354,885)	(133,571)	221,314
Transfer from other funds	501,092	501,092	502,609	1,517
Gain on sale of capital asset	-	-	3,941	3,941
Total other financing sources (uses)	368,288	381,260	372,979	(8,281)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 893,049	\$ 893,049

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, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	(See Note 1)	Over (Under)
Revenues				
Hotel taxes	\$ 872,644	\$ 872,644	\$ 1,658,115	\$ 785,471
Grant proceeds - CEPRA 1693	1,985,000	1,985,000	1,985,000	-
Grant proceeds, other	6,446,271	6,446,271	517,523	(5,928,748)
Other revenues	334,487	334,487	136,184	(198,303)
Total revenues	9,638,402	9,638,402	4,296,822	(5,341,580)
Expenditures				
Payroll and benefits	111,400	111,400	91,458	(19,942)
Contract services	10,000	10,000	5,940	(4,060)
Data processing and software maintenance	-	-	173	173
Legal and professional	136,750	166,444	144,970	(21,474)
Repairs and maintenance	45,000	45,000	14,761	(30,239)
Communication	900	900	900	-
Supplies	56,390	56,390	12,133	(44,257)
Improvements and equipment	32,500	32,500	11,667	(20,833)
Storm repairs	7,642,706	7,642,706	-	(7,642,706)
Administrative fees	90,000	90,000	162,029	72,029
Grant expenditures - CEPRA 1693	1,985,000	1,985,000	1,985,000	-
Grant expenditures, other	5,707,972	5,678,278	89,044	(5,589,234)
Other expenditures	48,220	48,220	50,503	2,283
Total expenditures	15,866,838	15,866,838	2,568,578	(13,298,260)
Revenues over (under) expenditures	(6,228,436)	(6,228,436)	1,728,244	7,956,680
Other financing sources (uses)				
FEMA reimbursement	6,878,436	6,878,436	-	(6,878,436)
Transfer from (to) other funds	(650,000)	(650,000)	(650,000)	-
Total other financing sources (uses)	6,228,436	6,228,436	(650,000)	(6,878,436)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 1,078,244	\$ 1,078,244

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

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

NOTES TO SUMMARY BUDGETARY COMPARISON SCHEDULES

1. Budgets and Budgetary Accounting

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

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

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

OTHER

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

Board of Trustees
Park Board of Trustees of the City of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Park Board of Trustees of the City of Galveston, Texas (the "Park Board"), as of and for the year ended September 30, 2021, 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 16, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Hann, Langston & Brezina, LLP

Houston, Texas
March 16, 2022