

**CITY OF GALVESTON**

**SINGLE AUDIT REPORT**

**SEPTEMBER 30, 2014**

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

To the Honorable Mayor and  
Members of the City Council  
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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galveston, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2014. Our report includes a reference to other auditors who audited the financial statements of the Park Board of Trustees of the City of Galveston, Texas, the Galveston Island Redevelopment Authority, the Board of Trustees of the Galveston Wharves, the City of Galveston Employees' Retirement Plan for Police, the City of Galveston Employees' Retirement Plan for City Employees and the Galveston Firefighters' Pension Fund as described in our report on the City's financial statements. With regards to the Park Board of Trustees of the City of Galveston, Texas and the Board of Trustees of the Galveston Wharves this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Galveston Island Redevelopment Authority, the City of Galveston Employees' Retirement Plan for Police, the City of Galveston Employees' Retirement Plan for Employees and the Galveston Firefighters' Pension Fund were not audited in accordance with *Governmental Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

**Internal Control Over Financial Reporting**

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

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 14-01.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

### **City of Galveston's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
March 26, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,  
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB  
CIRCULAR A-133 AND UNIFORM GRANT MANAGEMENT STANDARDS**

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the City of Galveston, Texas' (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Uniform Grant Management Standards (UGMS) that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2014. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the Park Board of Trustees of the City of Galveston, Texas, and the Board of Trustees of the Galveston Wharves, which received \$2,163,704 and \$9,292,943, respectively, in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2014. Our audit, as described below, did not include the operations of the Park Board of Trustees of the City of Galveston, Texas and the Board of Trustees of the Galveston Wharves because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to major federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133) and the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards, OMB Circular A-133 and UGMS, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal and State Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and UGMS and which are described in the accompanying schedule of findings and questioned costs as item 2014-02. Our opinion on each major federal and state program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 14-02 that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and UGMS. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal and State Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2014, which contained unmodified opinions on those financial statements. The City's basic financial statements include the operations of the Park Board of Trustees of the City of Galveston, Texas, and the Board of Trustees of the Galveston Wharves, which received \$2,163,704 and \$9,292,943, respectively, in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and UGMS, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
March 26, 2015

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None noted
- Noncompliance material to financial statements noted?  Yes  No

**Federal and State Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None noted

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Uniform Grant Management Standards?  Yes  No

Identification of major federal programs:

14.218 Community Development Block Grant

Identification of major state programs:

Public Transportation – State Funds

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS – CONTINUED**

**Federal and State Awards – Continued**

- Dollar threshold used to distinguish between type A and type B programs?

Federal \$ 1,098,515

State \$ 300,000

Auditee qualified as low-risk auditee?  X  Yes     No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding #14-01 – Capital Asset Reconciliation**

**Criteria or Specific Requirement**

Governmental Accounting Standards Board No. 34: *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, requires the reporting of capital assets.

**Condition**

During our testing of the City’s capital asset additions it was discovered that the additions listing, which is maintained in a manual spreadsheet, contained formula errors that lead to an inaccurate initial capital asset balance provided to the auditors.

( ) Compliance finding    ( X ) Significant deficiency    ( ) Material weakness

**Context**

The City maintains their fixed asset detail in spreadsheets which provides an increased opportunity for error as these spreadsheets have inherently increased manual calculations and reconciliations over data inputs and processes.

**Effect**

The City’s capital assets additions were not being properly calculated in the additions spreadsheet which lead to inaccurate information being posted in the general ledger. Unless remediated, this could lead to material misstatements in the financial statements.

**Cause**

As a result of the fixed asset ledger being maintained in manual spreadsheets, an increased risk of misstatement is inherent due to the lack of system controls that would be in place in a computerized asset tracking module.

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

**SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED**

**Finding #14-01 – Capital Asset Reconciliation – Continued**

**Recommendation**

We recommend that the City consider converting its fixed asset tracking process to a computerized system designed to accumulate asset cost and calculate depreciation expense that integrates with its general ledger. These types of fixed asset accounting systems have been refined over the years and now can be purchased at a very reasonable cost. This will eliminate a significant amount of manual record-keeping duties, make operations more efficient, and provide more accurate and timely information.

**SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

**Finding #14-02 – Schedule of Expenditures of Federal and State Awards**

**Criteria or Specific Requirement**

Schedule of Expenditures of Federal and State Awards (SEFSA) should be prepared to include all federal award amounts expended, properly identify the Catalog of Federal Domestic Assistance (CFDA) numbers, and properly identify awards as belonging to clusters.

**Condition**

During the course of the audit, we identified that the Community Development Block Grant State's Program and Entitlement Grants and the Disaster Grants – Public Assistance Hurricane Ike grant improperly included the City's local match as part of current year federal expenditures. Additionally, we identified that an expenditure of the Enhanced Mobility of Seniors and Individuals with Disabilities grant was improperly recorded under the Disaster Grants – Public Assistance Hurricane Ike grant.

( X ) Compliance finding    ( X ) Significant deficiency    ( ) Material weakness

**Context**

The auditors found these conditions during the review of the SEFSA and testing of the underlying accounting records supporting the amounts recorded.

**Effect**

Federal and State expenditures were not properly recorded on the initial SEFSA received. In order to properly select those programs which will be tested as major federal programs in accordance with OMB Circular A-133 and UGMS, the auditors require complete and accurate information to be reported on the SEFSA. If not done properly, this could lead to non-compliance for federal and state awards and possible financial statement misstatement.

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

**SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS –  
CONTINUED**

**Cause**

All necessary information was not gathered for preparation of the SEFSA. The information on the awards that the City expends is sometimes located in different departments within the City. Accordingly, the initial SEFSA received was incomplete with regards to award amount, amounts expended during the period under audit, federal agency and pass through information. Additionally, local matching requirements on certain grants were also not initially accounted for properly in certain circumstances.

**Finding #14-02 – Schedule of Expenditures of Federal and State Awards – Continued**

**Recommendation**

We recommend that the City's grant accountants should maintain information on all federal awards with the information necessary to be reported on the SEFSA and that the SEFSA be reviewed by the City's Director of Finance, or their designee, in order to ensure proper recording of all amounts.

**SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**Finding #13-01 – Schedule of Expenditures of Federal and State Awards  
Status – Not fully resolved, see current year finding 14-02**

**SECTION V – CORRECTIVE ACTION PLAN**

**Finding #14-01: Capital Asset Reconciliation**

**Response**

In order to increase system control's for accuracy and efficiency, the City will begin implementation of the financial system's Fixed Asset module including inventory in June 2015.

**Contact Person:** Tammy Jacobs, Assistant Director of Finance

**Estimated Completion Date**

We expect to complete the first phase of the project by September 30, 2015 to automate the current spreadsheets that contain capitalized assets. Phase two to inventory, tag and automate smaller but controllable assets will be completed by September 30, 2016.

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

**SECTION V – CORRECTIVE ACTION PLAN – CONTINUED**

**Finding #14-02: Schedule of Expenditures of Federal Awards**

**Response**

After discussions with the auditor, audit testing identified two instances in which local funds match were recorded as revenue prior to recording any grant expenditures. This caused a reduction of expenditures reported in the SEFSA for the Community Development Block Grant State's Program and Entitlement Grants and the Disaster Grants – Public Assistance Hurricane Ike grant. Additionally, there was an instance in which an expenditure of the Enhanced Mobility of Seniors and Individuals with Disabilities grant was reported under the incorrect CFDA in the SEFSA.

Management of the City's finance department will provide additional oversight and assistance with the generation of the grant roll-forward schedule to agree expenditure amounts reported in the SEFSA to amounts recorded in the general ledger. This will include higher level of communication with affected departments as well as establishing a consistent internal accounting policy regarding projects with a combination of funding sources, including grants.

**Contact Person:** Tammy Jacobs, Assistant Director of Finance

**Estimated Completion Date:** October 31, 2015

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<b>FEDERAL GRANT FUNDS</b>				
<b>Department of Housing &amp; Urban Development</b>				
<i>Direct Programs</i>				
** Community Development Block Grant	B-01-MC-48-0016	14.218	\$ 1,508	\$ -
** Community Development Block Grant	B-02-MC-48-0016	14.218	50,000	-
** Community Development Block Grant	B-07-MC-48-0016	14.218	29,663	-
** Community Development Block Grant	B-09-MC-48-0016	14.218	129,958	-
** Community Development Block Grant	B-10-MC-48-0016	14.218	9,839	-
** Community Development Block Grant	B-12-MC-48-0016	14.218	240,565	-
** Community Development Block Grant	B-13-MC-48-0016	14.218	931,052	-
** Community Development Block Grant	B-14-MC-48-0016	14.218	64,757	-
Total			1,457,342	-
ARRA - Neighborhood Stabilization Program	B-09-MS-48-0016	14.256	104,585	-
Total			104,585	-
HOME Program	M-02-MC-48-0208	14.239	8,500	-
HOME Program	M-04-MC-48-0208	14.239	30,925	-
HOME Program	M-07-MC-48-0208	14.239	83,287	-
HOME Program	M-08-MC-48-0208	14.239	49,193	-
HOME Program	M-09-MC-48-0208	14.239	143,530	-
HOME Program	M-10-MC-48-0208	14.239	35,468	-
HOME Program	M-11-MC-48-0208	14.239	149,314	-
HOME Program	M-12-MC-48-0208	14.239	113,095	-
HOME Program	M-13-MC-48-0208	14.239	48,624	-
Total			661,936	-
<i>Passed through Texas Department of Housing and Community Affairs</i>				
Community Development Block Grant State's Program and Non-Entitlement Grants	70090008	14.228	136,488	-
Total			136,488	-
<i>Passed through Texas General Land Office</i>				
** Community Development Block Grant State's Program and Entitlement Grants	DRS010051	14.218	22,851,014	-
** Community Development Block Grant State's Program and Entitlement Grants Round 2.1	DRS210051	14.218	540,926	-
Total			23,391,940	-
<b>Total Department of Housing and Urban Development</b>			<b>\$ 25,752,291</b>	<b>\$ -</b>

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

Grantor/Program Title	Grant Project Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<b><u>FEDERAL GRANT FUNDS</u></b>				
<b><u>Department of Transportation</u></b>				
<i>Direct Program</i>				
Federal Transit Formula Grant	TX-03-0217	20.507	\$ 16,646	\$ -
Federal Transit Formula Grant	TX-03-0235	20.507	42,752	-
Federal Transit Formula Grant	TX-90-X290	20.507	35,840	-
Federal Transit Formula Grant	TX-90-X780-00	20.507	96,284	-
Federal Transit Formula Grant	TX-90-X813-00	20.507	34,840	-
Federal Transit Formula Grant	TX-90-X873	20.507	7,498	-
Federal Transit Formula Grant	TX-12-X001	20.507	57,397	-
Federal Transit Formula Grant	TX-90-X940-00	20.507	226,187	-
Federal Transit Formula Grant	TX-39-0007-00	20.507	26,150	-
Federal Transit Formula Grant	TX-90-X990-00	20.507	74,868	-
Federal Transit Formula Grant	TX-95-X067-00	20.507	69,334	-
Total			687,796	-
<i>Passed through Texas Department of Transportation</i>				
Formula Grants for Rural Areas	51312F7209	20.509	194,819	
Formula Grants for Rural Areas	51412F7185	20.509	454,175	
Formula Grants for Rural Areas	51412F7210	20.509	329,862	-
			978,856	-
* Enhanced Mobility of Seniors and Individuals with Disabilities	51912F7216	20.513	127,345	
* Job Access Reverse Commute	51012F7186	20.516	216,000	-
* New Freedom Program	51012F7075	20.521	489,969	-
Total			833,314	-
Airport Improvement Program	CSJ No 0712GLVST	20.106	12,872	-
Airport Improvement Program	CSJ No1212GLVSN	20.106	26,900	-
Airport Improvement Program	CSJ No 1212GVSTN	20.106	924,399	-
Total			964,171	-
<b>Total Department of Transportation</b>			\$ 3,464,137	\$ -
<b><u>Department of Justice</u></b>				
<i>Direct Program</i>				
ARRA - Public Safety Partnership and Community Policing (COPS) Grant	2009RKWX0822	16.710	\$ 502,140	\$ -
Total			502,140	-
<i>Passed through Galveston County</i>				
Edward Byrne Memorial Justice Assistance Grant Program				
JAG Grant	N/A	16.738	\$ 9,994	\$ -
Total			9,994	-
<b>Total Department of Justice</b>			\$ 512,134	\$ -

**CITY OF GALVESTON, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 (CONTINUED)**

<u>Grantor/Program Title</u>	<u>Grant Project Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>FEDERAL GRANT FUNDS</u></b>				
<b><u>Department of Homeland Security</u></b>				
<i>Direct Programs</i>				
Disaster Grants - Public Assistance Hurricane Ike Total	PA-06-TX-1791	97.036	\$ 6,079,205 <u>6,079,205</u>	\$ - <u>-</u>
<i>Passed through Texas Department of Public Safety</i>				
Hazard Mitigation Grant Total	FEMA-1791-DR	97.039	<u>809,399</u> <u>809,399</u>	<u>-</u> <u>-</u>
<b><i>Total Department of Homeland Security</i></b>			<u>\$ 6,888,604</u>	<u>\$ -</u>
<b>Total Federal Grant Funds</b>			<u>\$ 36,617,166</u>	<u>\$ -</u>

**CITY OF GALVESTON, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(CONTINUED)**

<u>Grantor/Program Title</u>	<u>Grant Project Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>STATE GRANT FUNDS</u></b>				
<b><u>Texas Department of Transportation</u></b>				
<i>Direct Program</i>				
Public Transportation - State Funds	51412F7017		\$ 779,828	\$ -
Public Transportation - State Funds	51512F7021		8,713	-
Routine Airport Maintenance Program	M112GLVST		12,899	-
STEP - WAVE	2012-Galvesto-s-1YG-0026		21,489	-
Total			<u>822,929</u>	<u>-</u>
<b><i>Total Texas Department of Transportation</i></b>			<u>\$ 822,929</u>	<u>\$ -</u>
<b><u>Texas Department of Public Safety</u></b>				
<i>Direct Program</i>				
Texas Department of Public Safty	12TX-EMPG-0339		\$ 40,812	\$ -
Total			<u>40,812</u>	<u>-</u>
<b><i>Total Texas Department of Public Safety</i></b>			<u>\$ 40,812</u>	<u>\$ -</u>
<b>Total State Grant Funds</b>			<u>\$ 863,741</u>	<u>\$ -</u>
<b>Total Federal and State Grant Funds</b>			<u>\$ 37,480,907</u>	<u>\$ -</u>

\* Transit services cluster

\*\* CDBG Cluster

**CITY OF GALVESTON, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of the City of Galveston, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included in the respective schedule. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and state awards is presented using modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

**NOTE 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditures reports as of September 30, 2014, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

**NOTE 4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

The schedule of findings and questioned costs, including the summary of auditor's results for federal awards, is included beginning on page 7.