

# **The Board of Trustees of the Galveston Wharves**

(A Component Unit of the City of Galveston, Texas)

Compliance Report—State Awards  
Year Ended December 31, 2021

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RSM US LLP

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

Board of Trustees  
The Board of Trustees of the Galveston Wharves

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 business-type activities and the fiduciary activities of The Board of Trustees of the Galveston Wharves (the Port), a component unit of the City of Galveston, Texas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated June 28, 2022. The financial statements of the Galveston Wharves Pension Plan, included in the financial statements of the fiduciary activities, were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) as a basis for designing 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 Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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 Port'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from 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 financial statements. 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*.

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

*RSM US LLP*

San Antonio, Texas  
June 28, 2022



RSM US LLP

**Report on Compliance for the Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Awards as Required by the Uniform Grant Management Standards, State of Texas Single Audit Circular**

**Independent Auditor's Report**

Board of Trustees  
The Board of Trustees of the Galveston Wharves

**Report on Compliance for the Major State Program**

**Opinion on the Major State Program**

We have audited The Board of Trustees of the Galveston Wharves' (the Port), a component unit of the City of Galveston, Texas, compliance with the types of compliance requirements described in the Uniform Grant Management Standards, State of Texas Single Audit Circular that could have a direct and material effect on the Port's major state program for the year ended December 31, 2021. The Port's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2021.

**Basis for Opinion on the Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Uniform Grant Management Standards, State of Texas Single Audit Circular. Our responsibilities under those standards and the Uniform Grant Management Standards, State of Texas Single Audit Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Grant Management Standards, State of Texas Single Audit Circular, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Grant Management Standards, State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a 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 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Grant Management Standards, State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Awards Required by the Uniform Grant Management Standards, State of Texas Single Audit Circular**

We have audited the financial statements of the business-type activities and fiduciary activities of the Port as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated June 28, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis, as required by the Uniform Grant Management Standards, State of Texas Single Audit Circular, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*RSM US LLP*

San Antonio, Texas  
June 28, 2022

**The Board of Trustees of the Galveston Wharves**

**Schedule of Expenditures of State Awards  
Year Ended December 31, 2021**

State Grantor/Pass-Through Grantor/ Program or Cluster Title	State Award Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Expenditures
Texas Department of Transportation:				
Direct programs:				
Texas Mobility Fund Grant—Rider 48	3595-01-019		\$ -	\$ 659,151
Texas Mobility Fund Grant—Rider 38	0912-73-217		-	124,020
<b>Total direct programs</b>			<u>-</u>	<u>783,171</u>
<b>Total Texas Department of Transportation</b>			<u>-</u>	<u>783,171</u>
Tax Allocation Section of State Comptroller's Office:				
Direct programs:				
LEOSE—Law Enforcement Officer Standards and Education	17410757524-003		-	1,475
<b>Total direct programs</b>			<u>-</u>	<u>1,475</u>
<b>Total Tax Allocation Section of State Comptroller's Office</b>			<u>-</u>	<u>1,475</u>
<b>Total Expenditures of State Awards</b>			<u>\$ -</u>	<u>\$ 784,646</u>

See notes to the schedule of expenditures of state awards.

## **The Board of Trustees of the Galveston Wharves**

### **Notes to Schedule of Expenditures of State Awards**

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state awards (the Schedule) includes the state award activity of The Board of Trustees of the Galveston Wharves (the Port) under programs of the state government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of the Uniform Grant Management Standards, State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position or cash flows of the Port.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Grant Management Standards, State of Texas Single Audit Circular, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3. Indirect Cost Rate**

In accordance with the Uniform Grant Management Standards, State of Texas Single Audit Circular, the Port did not apply or use the indirect cost rate as defined by the Uniform Grant Management Standards, State of Texas Single Audit Circular for the period ending December 31, 2021.

**The Board of Trustees of the Galveston Wharves**

**Schedule of Findings and Questioned Costs—State Awards  
Year Ended December 31, 2021**

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**Section I. Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?                     Yes             No  
Significant deficiency(ies) identified?             Yes             None Reported

Noncompliance material to financial statements noted?             Yes             No

*State Awards*

Internal control over major programs:

Material weakness(es) identified?                     Yes             No  
Significant deficiency(ies) identified?             Yes             None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?                     Yes             No

Identification of major program:

Grant Numbers	Name of State Program
3595-01-019, 0912-73-217	Texas Mobility Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?                     Yes             No

(Continued)

**The Board of Trustees of the Galveston Wharves**

**Schedule of Findings and Questioned Costs—State Awards (Continued)**  
**Year Ended December 31, 2021**

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**Section II. Financial Statement Findings**

A. Internal Control

None reported.

B. Compliance Findings

None reported.

**Section III. Findings and Questioned Costs for State Awards**

A. Internal Control

None reported.

B. Compliance Findings

None reported.

**The Board of Trustees of the Galveston Wharves**

**Summary Schedule of Prior Audit Findings—State Awards  
Year Ended December 31, 2021**

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The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs.