

Presentation to

City of Corpus Christi

Audit Committee Meeting



Overview

- Introductions
- Audit Process
- Audit Results and Communications
- Financial Highlights
- Upcoming Changes
- Questions

A black and white photograph of a modern office interior. In the foreground, a curved glass table is surrounded by several grey chairs. The background features large windows with a view of a city skyline. A green horizontal band is overlaid across the middle of the image, containing the word "Introductions" in white text.

Introductions

Weaver**Views**

Engagement Team

City of Corpus Christi

Audit Leadership

Matt Rogers, CPA
Engagement Director

Randi Vaughn, CPA
Engagement Manager

Kaitie Miller
Engagement Senior

Nick Laitkep
Engagement Senior

Audit Staff

IT Advisory Services

Audit Process



Audit Schedule



Audit Process

- **Audit Standards** — Performed the audit in accordance with *Generally Accepted Auditing Standards (GAAS)* and *Generally Accepted Government Auditing Standards (GAGAS)*
- **Single Audit** — Performed the single audit of federal and state awards in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Texas Uniform Grant Management Standards*
- **Compliance** — Performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, including items such as compliance with the Public Funds Investment Act and State procurement requirements.

Audit Process

- **Risk-based approach** focused on financial statement level and specific risks, such as:
 - Management override of controls
 - Federal and state grant revenues and expenditures
 - Utility system billings and related accruals
 - Accounts payable - proper documentation and authorization
 - Payroll and payroll related liabilities – proper documentation and authorization
- **Tested internal controls** over financial reporting and compliance
- **Tested compliance** with major federal and state program requirements





Audit Results and Communications

Audit Results: Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiencies that are not material weaknesses? **Yes, 2024-001**
- Noncompliance material to financial statements noted? **No**



Audit Results: Federal Awards

Type of auditor's report issued on compliance: **Unmodified**

Internal control over major programs:

➤ Material weakness(es) identified? **No**

➤ Significant deficiencies identified that are not considered to be material weaknesses? **None reported**

➤ Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance §200.516(a)? **No**

Identification of major programs:

➤ 93.268 – Immunization Grants

➤ 21.027 – Coronavirus State and Local Fiscal Recovery Funds

Audit Results: State Awards

Type of auditor's report issued on compliance:

Unmodified

Internal control over major programs:

➤ Material weakness(es) identified?

No

➤ Significant deficiencies identified that are not considered to be material weaknesses?

None reported

➤ Any audit findings disclosed that are required to be reported in accordance with Texas Grant Management Standards?

No

Identification of major programs:

➤ Hospital Preparedness Program

Summary Schedule of Audit Findings



Significant Deficiency in Internal Control over Financial Reporting – Financial Statement Closing 2024-001 (Recurring)

- Condition: During our audit we identified several accounts that were not reconciled timely and/or accurately that resulted in audit adjustments, adjustments received from the client late in the audit process, and delays in the audit process.
- Cause: The City has experienced high turnover, creating difficulties with staff having the knowledge and experience to perform the annual closing procedures and prepare supporting documents for annual financial reporting.
- Effect or Potential Effect: Activity in several accounts were unreconciled, resulting in adjusting entries after fiscal year-end. Continued delays in reconciling accounts at year end may result in undetected misstatements.
- Recommendation: We recommend that City's management evaluate and modify its financial statement closing procedures to perform quarterly reconciliations, where appropriate, and provide additional staff training. The City also should evaluate if the proper staffing levels are in place to manage the volume and complexity of its data.

Summary Schedule of Prior Year Findings

Significant Deficiency in Internal Control over Financial Reporting – Financial Statement Closing 2023-001 (Recurring in 2024)

- Condition: During our audit we identified several accounts that were not reconciled timely and/or accurately that resulted in audit adjustments, adjustments received from the client late in the audit process, and delays in the audit process.
- Cause: The City has experienced high turnover, creating difficulties with staff having the knowledge and experience to perform the annual closing procedures and prepare supporting documents for annual financial reporting.
- Effect or Potential Effect: Activity in several accounts were unreconciled resulting in adjusting entries after fiscal year-end.
- Corrective Action Plan: The City agrees with the auditor's recommendations for City management to evaluate and modify its financial statement closing procedures to perform quarterly reconciliations, where appropriate, and provide additional staff training. The City will also evaluate if the proper staffing levels are in place to manage the volume and complexity of its data.
- Status: The City began implementing corrective actions in 2024 and is expected to complete its plans by year end 2025.

Audit Results:

Passenger Facility Charge Audit



Note: The Passenger Facility Charge Audit is still in progress.

- Type of auditor's report issued on compliance: **Unmodified**

Internal control over compliance:

- Material weakness(es) identified? **No**
- Significant deficiencies that are not material weaknesses? **None reported**
- Any audit findings required to be reported under the *Passenger Facility Charge Audit Guide for Public Agencies* **No**

Auditor Communications

Auditor Responsibility

- Form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your respective responsibilities.
- Plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Communicate significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process.

Auditor Responsibility - Continued

- We relied on the reports of other auditors, and our opinion includes a reference to these other auditors for the following entities:
 - Corpus Christi Firefighters' Retirement System
- Supplementary information – “in-relation-to” opinion provided – unmodified
- Required supplementary information – we do not express an opinion or provide any assurance on the information.
- Other information - our opinions on the financial statements do not cover the other information (Introductory and Statistical Section), and we do not express an opinion or any form of assurance thereon. Our responsibility includes communicating to you any information which we believe to be a material misstatement of fact. Nothing came to our attention.

Auditor Communications



Compliance with Requirements Regarding Independence

- The engagement team, others in our firm, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.
- Weaver performed the following nonattest services:
 - Preparing financial statements
 - Compiling the schedule of federal and state awards and related notes
 - Compiling the schedule of passenger facility charge program revenues and expenditures and related notes
- Such nonaudit/nonattest services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.
- The City designated management employees with sufficient skills, knowledge and experience to review and approve the services we provided.

Significant Risks Identified

- As part of our risk assessment procedures in planning the audit, we identified the following significant risks to the financial statements:
 - Management override of controls
 - Improper revenue recognition
 - State and federal grants and
 - Utility billings
 - Improper cash disbursements
 - Improper payroll expenditures
- Based on test work performed in these areas, no material misstatements were identified.

Significant Accounting Policies

- Management has the responsibility to select and use appropriate accounting policies.
 - A summary of significant accounting policies adopted by the City is included in Note 1 to the financial statements.
- There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during FY 2024.
- No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements.
- The most significant accounting estimates affecting the financial statements are:
 - Allowance for uncollectible accounts taxes
 - Allowance for uncollectible accounts utility accounts
 - Pension liability – TMRS
 - Pension liability – Firefighter System
 - OPEB liability
 - Incurred but not reported claims for healthcare, workers' compensation, and general liability
- We evaluated the key factors and assumptions used to develop these estimates and determined that the estimates are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

- Certain financial statement disclosures involved significant judgment and are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures are
 - Employment Retirement Benefits (Note 10)
 - Post-Employment Health Care Benefits (Note 11)
 - Contingent Liabilities (Note 9. B.)

Uncorrected Misstatements

- For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.
- The following summarizes the uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Auditor Communications

Uncorrected Misstatements - Continued

		Financial Statement Effect—Amount of Overstatement (Understatement):	
Description (Nature) of Audit Difference	Cause	Expenses / Expenditures	Beginning Fund Balance / Net Position
<u>Opinion unit(s): Governmental Activities</u>			
Correction to capitalize prior year expenses	Invoices were improperly expensed in the previous fiscal year for work that should have been capitalized	(11,989,465)	11,989,465
Totals		(11,989,465)	11,989,465
<u>Governmental Activities</u>			
Audit difference above:		(11,989,465)	11,989,465
Financial statement caption totals:		460,968,794	863,891,182
Audit difference as percent of financial statement caption totals:		2.6%	1.4%

Corrected Misstatements

- In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

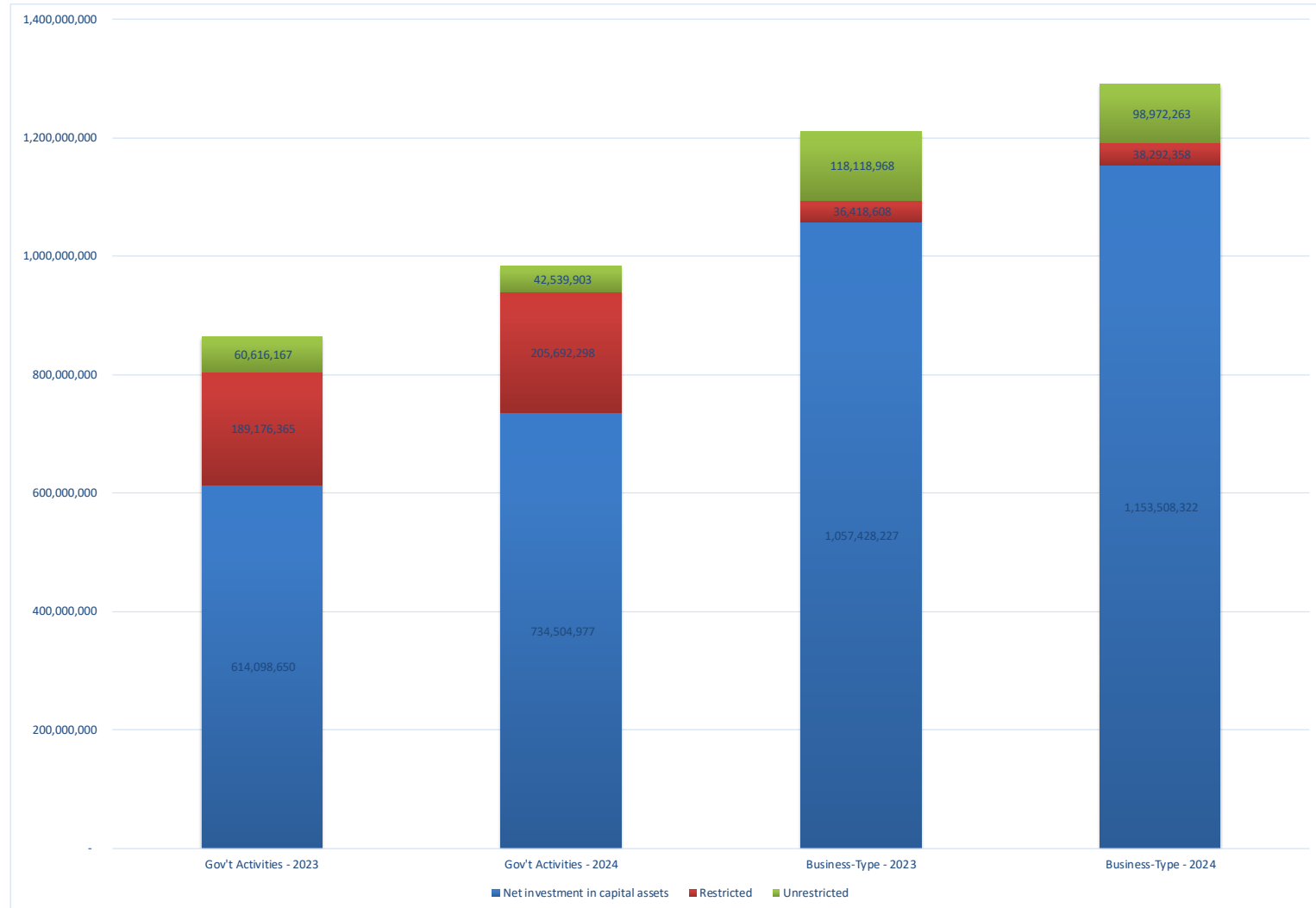
Other Required Communications

- We encountered no significant difficulties in dealing with management relating to the performance of the audit.
- Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the audit.
- We have requested certain written representations from management, which is included in a separate letter dated the date of the audit opinion (Financial Statement Audit).
- In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.
- In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

A photograph of Jenga blocks. On the left, a tall, slightly wobbly tower is built from several layers of light-colored wooden blocks. To the right of the tower, three more blocks are stacked horizontally on a reflective surface. The background is a soft, out-of-focus yellow. A semi-transparent white banner is positioned across the middle of the image, containing the text 'Financial Highlights' in a dark green, sans-serif font.

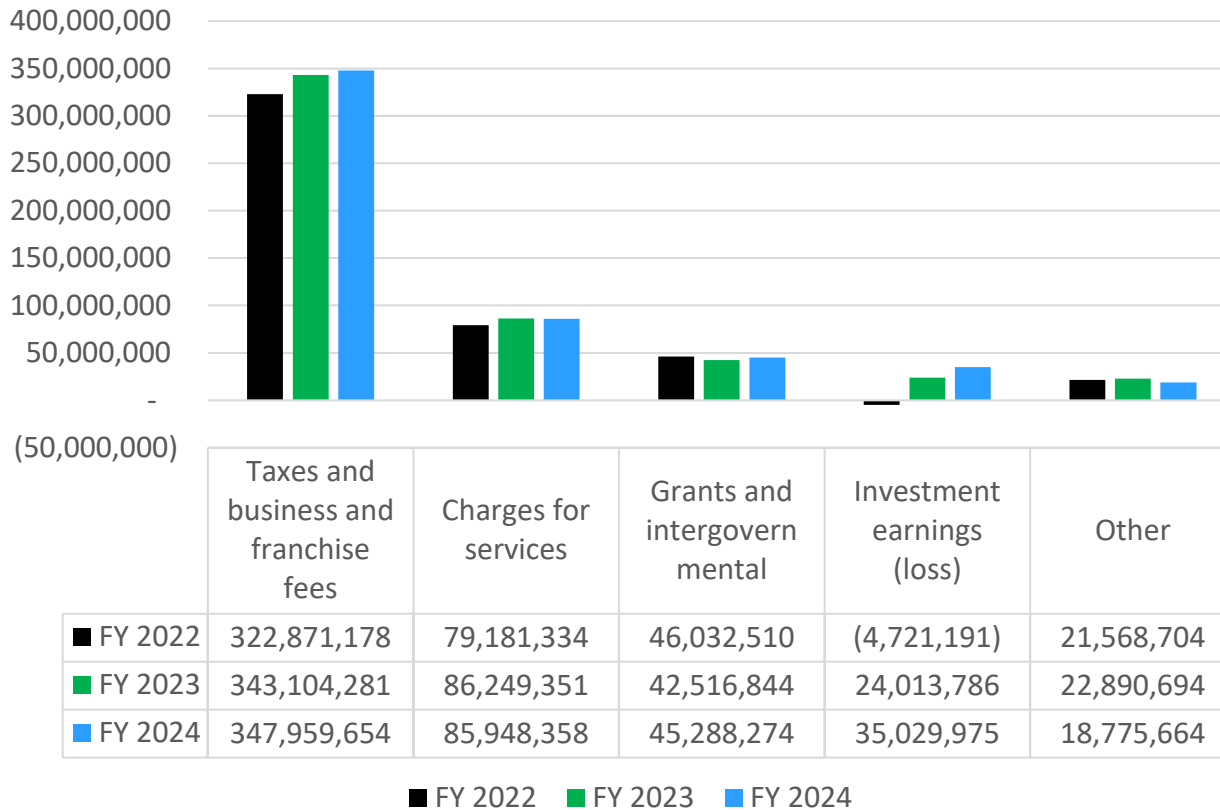
Financial Highlights

Government-Wide Net Position



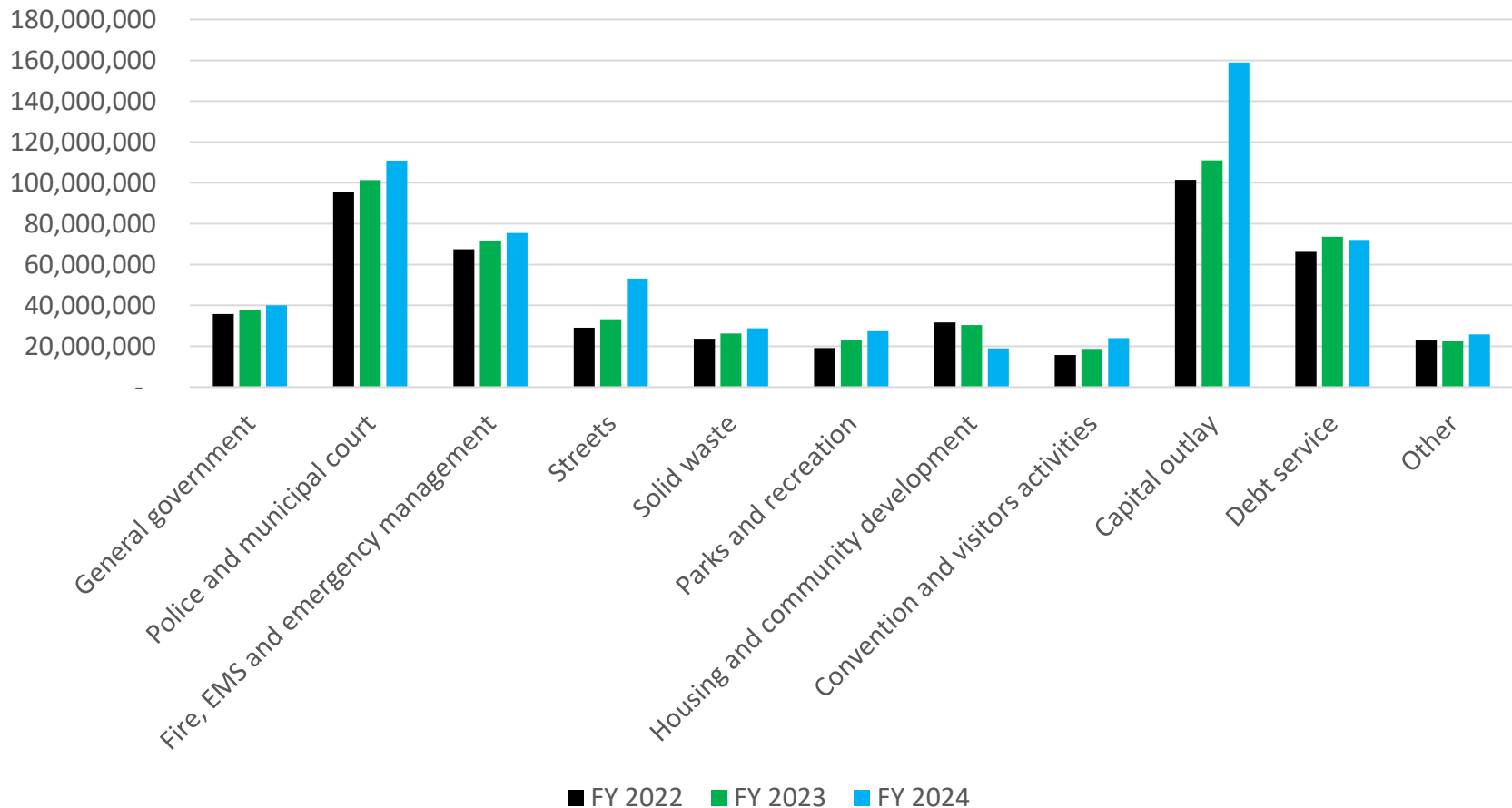
Revenue Trends

Comparison of Governmental Fund Revenues by Source



Expenditure Trends

Comparison of Governmental Fund Expenditures by Activity



Upcoming Changes



Upcoming Changes

GASB

101:

Effective
for periods
beginning
after
12/15/2023
(FY 2025)

GASB Statement No. 101, *Compensated Absences*

- Updates the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures
- Impact has not yet been determined

Upcoming Changes

Other GASB Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 will be implemented in the City's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

Thank you!

We appreciate
the opportunity
to serve the
**City of Corpus
Christi** and look
forward to
working with
you next year.



Contact us:

Discussion

Matt Rogers, CPA

Engagement Director, Assurance Services

Direct: 936.494.4137

Email: matt.rogers@weaver.com