



April 13, 2021

To the Honorable Mayor and Members of City Council and Management of
City of Corpus Christi, Texas
P.O. Box 9277
Corpus Christi, Texas 78469-9277

We have audited the financial statements of the City of Corpus Christi, Texas (the City) as of and for the year ended September 30, 2020, and have issued our report thereon dated March 30, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit³

As communicated in our engagement letter dated August 8, 2020, our responsibility, as described by professional standards, is to form and express an 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. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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
- American Bank Convention Center Fund
- American Bank Center Arena Operations Fund

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

We performed the following nonattest services:

- 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*. Management designated Judy Sandroussi to review and approve the services we provided. These services were also reviewed by an internal engagement quality reviewer.

Qualitative Aspects of the Entity's Significant Accounting Practices¹

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Note 1.P. to the financial statements, the City adopted a portion of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria* during the fiscal year ended September 30, 2020. There was no impact to the financial statements from the adoption of this standard. 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 judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allowance for uncollectible taxes, allowance for uncollectible utility accounts, pension liability – TMRS, pension liability – Firefighter System, OPEB liability, incurred but not reported claims for healthcare, workers' compensation, and general liability, and EPA litigation – contingent liability.

Management's estimate of the allowance for uncollectible taxes and uncollectible utility accounts is based on historical experience. Management's estimate of pension liability – TMRS, pension liability – Firefighter System, OPEB liability, incurred but not reported claims for healthcare, workers' compensation, and general liability is based on third party actuary reports. Management's estimate of the EPA litigation is based on the consent decree approved by the federal courts in January 2021. We evaluated the key factors and assumptions used to develop the estimates above and determined that they 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 involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to: Employment Retirement Benefits (Note 9), Post-Employment Health Care Benefits (Note 10), Contingent Liabilities (Note 11. B.) and Subsequent Events (Note 22).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected 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 attached schedule summarizes 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.

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.

Disagreements with Management

For purposes of this letter, 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 course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated March 30, 2021 (comprehensive annual financial report) and March 31, 2021 (single audit).

The Honorable Mayor and Members of City Council and Management of
City of Corpus Christi, Texas
April 13, 2021

Page 4

Management's Consultations with Other Accountants

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.

Other Significant Matters, Findings, or Issues

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.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, with respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. In respect to other information accompanying the financial statements, such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we do not provide any assurance on them.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of City Council and Management of the City of Corpus Christi, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Schedule of Uncorrected Misstatements

Financial Statement Effect—Amount of Overstatement (Understatement):								
Description (Nature) of Audit Difference	Cause	Total Assets / Deferred Outflows	Total Liabilities / Deferred Inflows	Revenues	Expenses / Expenditures	Change in Fund Balance / Net Position	Beginning Fund Balance / Net Position	Ending Fund Balance / Net Position
<u>Opinion unit: Governmental Activities</u>		(2,744,628)	-	(2,744,628)	-	(2,744,628)	-	(2,744,628)
Receivable from Regional Transit Authority (RTA) was not booked for FY20.	Notification for additional funding has been authorized by RTA and the City; however, an invoice has not yet been generated for FY20 funding.							
<u>Opinion units: General Fund</u>								
Correction offset for variance in vouchers payable GL associated with Siemens Industry Inc.	Identified offset to invoices paid in GL resulting from software glitch. Corrected in FY21.	-	(415,083)	-	(415,083)	415,083	-	415,083
<u>Opinion unit: Streets Maintenance Fund (Nonmajor Governmental Fund)</u>		(2,744,628)	(2,744,628)	-	-	-	-	-
Receivable from Regional Transit Authority (RTA) was not booked for FY20.	Notification for additional funding has been authorized by RTA and the City; however, an invoice has not yet been generated for FY20 funding.							
<u>Opinion unit: Airport Fund (Nonmajor Enterprise Fund)</u>		-	-	1,042,629	-	1,042,629	(1,042,629)	-
Grant revenues not recorded in fiscal year earned.	FAA grant revenues earned in a prior year were identified in FY20 upon receipt and recorded to revenue instead of prior period adjustment.							
Totals		(2,744,628)	(3,159,711)	1,042,629	(415,083)	1,457,712	(1,042,629)	415,083
<u>Governmental Activities</u>								
Audit difference above:		(2,744,628)		(2,744,628)		(2,744,628)		(2,744,628)
Financial statement caption totals:		1,472,020,190		401,653,217		124,138,041		549,950,212
Audit difference as percent of financial statement caption totals:		-0.2%		-0.7%		-2.2%		-0.5%
<u>General Fund</u>								
Audit difference above:			(415,083)		(415,083)	415,083		415,083
Financial statement caption totals:			37,614,287		232,388,294	3,937,572		86,614,870
Audit difference as percent of financial statement caption totals:			-1.1%		-0.2%	10.5%		0.5%
<u>Streets Maintenance Fund (Nonmajor Governmental Fund)</u>								
Audit difference above:		(2,744,628)	(2,744,628)					
Financial statement caption totals:		268,156,234	24,139,990					
Audit difference as percent of financial statement caption totals:		-1.0%	-11.4%					
<u>Airport Fund (Nonmajor Enterprise Fund)</u>								
Audit difference above:				1,042,629		1,042,629	(1,042,629)	
Financial statement caption totals:				12,767,234		5,580,678	142,441,838	
Audit difference as percent of financial statement caption totals:				8.2%		18.7%	-0.7%	