



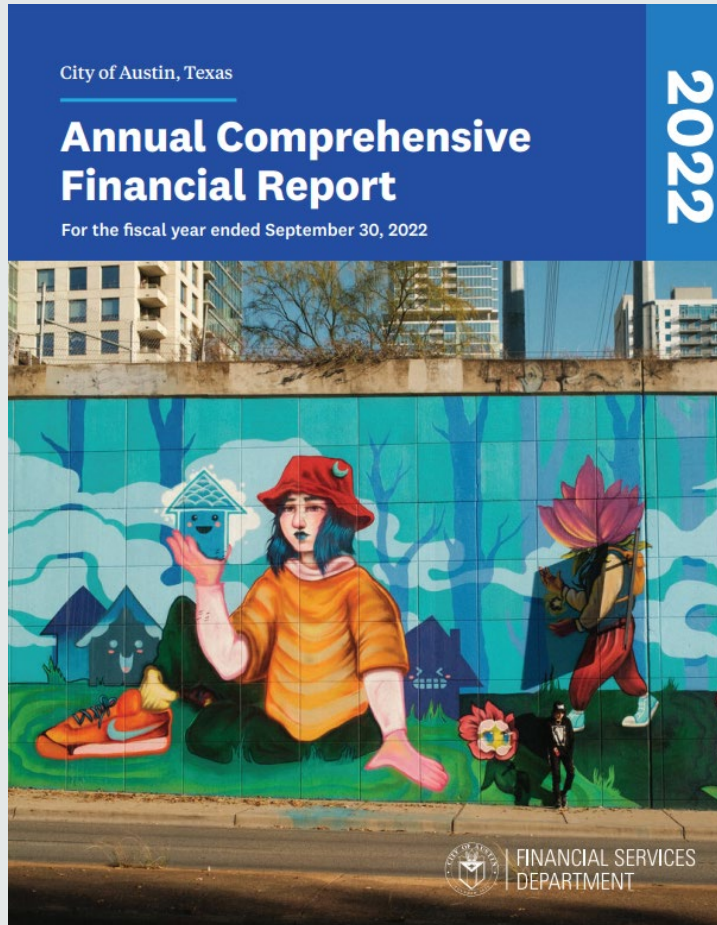
City of Austin

# FINANCIAL SERVICES DEPARTMENT

## CITY OF AUSTIN EXTERNAL AUDIT PRESENTATION



# Annual Comprehensive Financial Report (ACFR)



- Annual Comprehensive Financial Report (ACFR)
- Issued March 8, 2023
- [https://assets.austintexas.gov/financeonline/downloads/annual comprehensive financial report/annual comprehensive financial report 2022.pdf](https://assets.austintexas.gov/financeonline/downloads/annual%20comprehensive%20financial%20report/annual%20comprehensive%20financial%20report%202022.pdf)



# Financial Audit Requirements

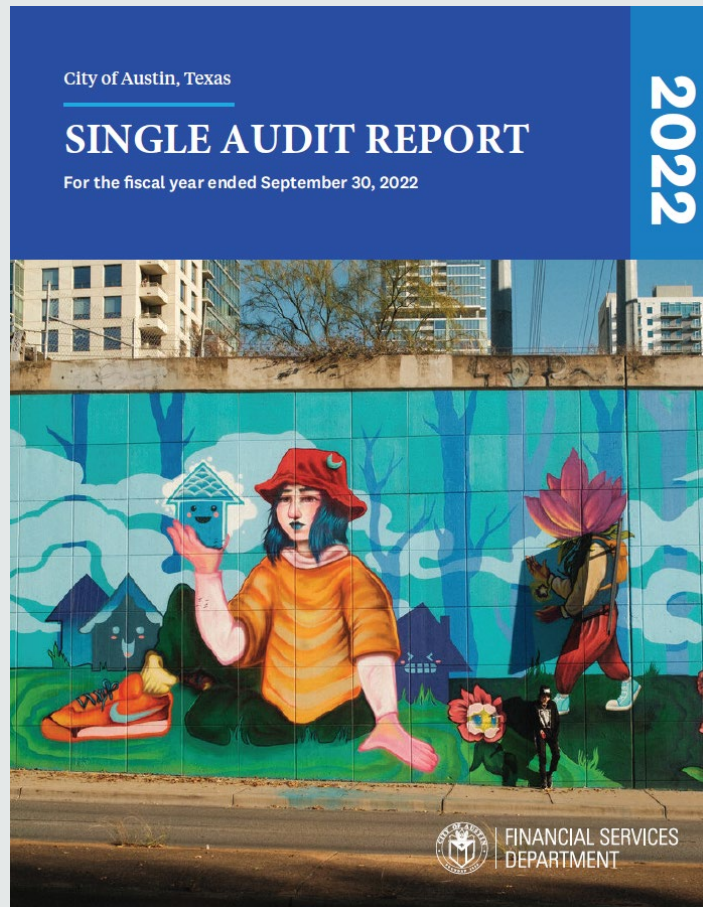
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- **City Charter (Article VII-16)** requires an independent audit by a certified public accountant (CPA) at the close of each fiscal year. The CPA shall be independent from the City or any of its officers. Upon completion, the results shall be published immediately.
- **Financial policies (Accounting, Auditing, and Financial Planning #3)** requires an annual audit by an independent CPA firm and issuance of the ACFR no later than 6 months following fiscal year-end.
- **Financial policies (Accounting, Auditing, and Financial Planning #4)** requires presentation to the Audit and Finance Committee of the results of the annual audit by the CPA firm no later than 60 days following the issuance of the ACFR.
- **Debt** agreements, including bonds and loans, also often require an independent audit.



# Single Audit

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- Issued April 24, 2023
- [https://assets.austintexas.gov/financeonline/downloads/FY22 Single Audit Report.pdf](https://assets.austintexas.gov/financeonline/downloads/FY22%20Single%20Audit%20Report.pdf)



# Single Audit Requirements

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- Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) requires an audit of an entity that expends \$750,000 or more in federal grants or assistance annually. In addition to auditing financial data, the Single Audit focuses on compliance with grant requirements. This audit must be completed within 9 months of the end of the fiscal year.
- State of Texas Uniform Grants Management Standards (UGMS) requires a similar process as the OMB Uniform Guidance for federal grants/assistance for entities that expend \$750,000 or more in state grants or assistance annually.



# THANK YOU!

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- Mayor and Council Members, for your continued support of the City's goal of excellence in all aspects of financial management
- City Manager and his Executive team, Chief Financial Officer, and Department Directors, for your support of the Controller's team and support of excellence in financial management
- City staff, especially the Financial Services Department-Accounting & Reporting team for their many hours of dedicated service toward completion of these reports
- Deloitte, for the professional and thorough manner in which they conducted these audits

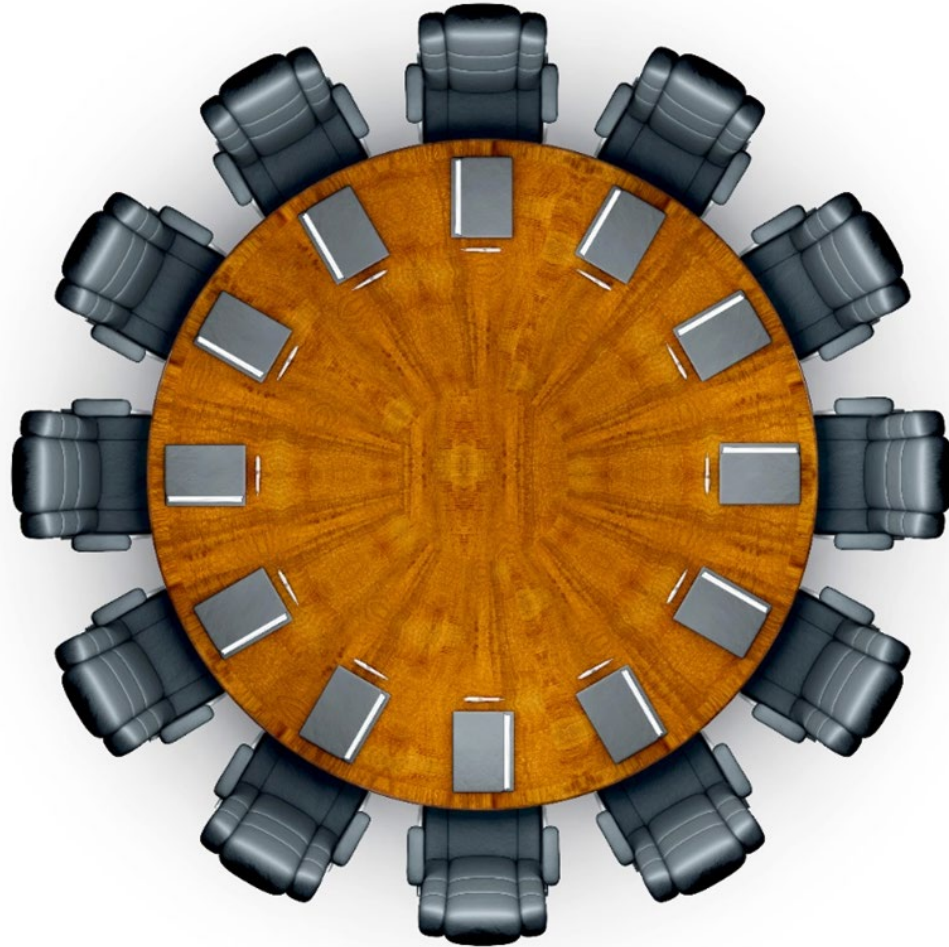
# DELOITTE PRESENTATION



City of Austin

**FINANCIAL SERVICES DEPARTMENT**





## City of Austin, Texas Results of the Audit

Tracey Guidry Cooley, Managing Director  
Cameron Decker, Senior Manager





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March 8, 2023

Audit and Finance Committee of the City of Austin  
301 W. Second Street  
Austin, Texas, 78701

Dear Audit and Finance Committee:

We have performed an audit of the financial statements of the City of Austin, Texas] (the “City”) as of and for the year ended September 30, 2022 (the “financial statements”), in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards) and have issued our report thereon dated March 8, 2023, which included an emphasis of matter paragraph related to the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the City is responsible.

This report is intended solely for the information and use of management, the Audit and Finance Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the City and hope the accompanying information will be useful to you.

Yours truly,

A handwritten signature in black ink that reads "Deloitte &amp; Touche LLP". The signature is written in a cursive, flowing style.

cc: The Management of the City of Austin, Texas

# Our Responsibility under Generally Accepted Auditing Standards



Our responsibility under generally accepted auditing standards has been described in our engagement letter dated July 13, 2022 . As described in that letter, our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of Audit and Finance Committee are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”). The audit of the financial statements does not relieve management or the Audit and Finance Committee of their responsibilities. We considered internal control relevant to the City’s preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control.

See further details of our responsibilities in **Appendix A**

# Significant Accounting Policies and Accounting Estimates



## ***Significant Accounting Policies***

The City's significant accounting policies are set forth in Note 1 to the City's 2022 financial statements. Other than the adoption of Government Accounting Standards Board Statement No. 87, *Leases*, and No. 99, *Omnibus 2022*, we are not aware of any significant changes in previously adopted accounting policies or their application during the year ended September 30, 2022. The impact of the adoption of the new standards is outlined in Note 1 to the basic financial statements.

- We have evaluated the significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management

## ***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 ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant qualitative aspects of the City's particularly sensitive accounting estimates has been attached to this report as **Appendix B** and summarized below:

- Other post employment benefits, pension liabilities and related balances
- Asset retirement obligations –environmental liabilities
- Deferred amounts related to regulated operations

# Summary of Identified Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements for the year ended September 30, 2022.

## ***Uncorrected Misstatements***

We have attached to this report, as part of **Appendix C**, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## ***Corrected Misstatements***

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

# Other Required Communications



## Required Supplementary Information

Required supplementary information is the responsibility of management and, 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 and other auditors 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



## Supplementary Information

The combining and individual nonmajor fund financial statements and supplemental schedules, are presented for purposes of additional analysis and are 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

# Other Required Communications



## Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We did not note any uncorrected material misstatements of the other information.



## Management Representations


We have made specific inquiries of the City's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the City is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as **Appendix C**, a copy of the representation letter we obtained from management.

# Other Required Communications




**Significant Difficulties Encountered in Performing the Audit**

In our judgment, we received the full cooperation of the City’s management and staff and had unrestricted access to the City’s senior management in the performance of our audit.



**Disagreements with Management**

We have not had any disagreements with management related to matters that are material to the City’s 2022 financial statements.



**Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2022.



# Control-Related Matters

We have issued a separate report on internal controls over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*. For the purpose of this report, our consideration of internal control was for the limited purpose to design 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. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We have identified, certain matters involving the City's internal control over financial reporting that we consider to be a significant deficiency under generally accepted auditing standards. These matters are consistent with what was reported in the separate report on internal controls over financial reporting and on compliance referenced above.

Although we have included management's written response to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses, or the effectiveness of any corrective actions described therein.

The definitions of a deficiency, a material weakness, and a significant deficiency are also set forth in **Appendix D**.

# Control-Related Matters – Significant Deficiencies

We consider the following deficiency in the City’s internal control over financial reporting to be a significant deficiency as of September 30, 2022:

## **Finding 2022-001: Significant Deficiency in Internal Controls – Data Input Review for Lease Accounting**

**Condition:** The proper accounting for leases is dependent on accurate data inputs. The departments are responsible for data input and review prior to the information being accumulated by the Financial Services Department – Accounting & Reporting Division. During our audit of the basic financial statements, we noted some inputs entered for usage in lease calculations were inaccurate based on the underlying lease agreements. Such findings resulted in corrected and uncorrected audit adjustments accumulated for fiscal year 2022. Of the 26 total lease agreements tested, D&T noted input errors in 13 of the lease calculations. The input errors identified resulted in an overall immaterial impact to the City financial statements as a whole.

**Recommendation:** Efforts should be made to ensure proper reviews of lease inputs are performed. Further, the City Financial Services Department – Accounting & Reporting Division should consider additional training on governmental accounting and reporting to help departments appropriately input and review relevant lease data.

**View of Responsible Officials:** Concur.

Implementation of the new lease accounting standard required City staff to review more than 4,475 potential lease contracts. As part of its implementation procedures, the City enlisted the assistance of a third-party consultant, as well as staff from the Financial Services Department and departments across the City, to review these contracts. Given the high volume of potential lease agreements, the City developed procedures to efficiently record lease balances that were materially accurate.

Management acknowledges that despite the City’s best efforts, errors were found in some of the lease calculations. While the impact of these errors on the City’s financial statements was determined to be immaterial, the City takes them seriously and will continue to review and strengthen its procedures to ensure accurate data inputs are used in the future to improve the overall accuracy of our financial statements.

Estimated Completion – September 2023.

# Single Audit Report –Federal and State Programs



## ***Single Audit Report –Federal Programs***

- Report on compliance with requirements that could have a direct and material effect on each major federal program and on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- We have identified one finding related to the Immunization Outreach program
- We issued an unmodified opinion (clean opinion) on compliance over the major programs
- Issued on April 24, 2023

## ***Single Audit Report –State Programs***

- Report on compliance with requirements that could have a direct and material effect on each major state program and on internal control over compliance in accordance with the Texas Grant Management Standards (TxGMS)
- We have identified one finding related to the Immunization Outreach program
- We issued an unmodified opinion (clean opinion) on compliance over the major programs
- Issued on April 24, 2023

# Control-Related Matters – Significant Deficiencies

We consider the following deficiency in the City’s internal control over financial reporting to be a significant deficiency as of September 30, 2022:

## **Finding 2022-002: Significant Deficiency in Internal Controls – Immunization Outreach – Reporting**

**Grant Information:** ALN #93.268 and Contracts #HHS000108500001/ HHS001019500002 - Immunization Outreach – Passed through the Texas Department of State Health Services (DSHS)

**Criteria:** Quarterly Financial Status Reports (FSR) are required by the federal OMB compliance supplement and the state grant agreements to be submitted by the last business day of the month following the end of each quarter for review and financial assessment.

**Condition/Context:** There are two grant awards associated with the Immunization Outreach program for FY22: HHS000108500001 – IMM/Locals and HHS001019500002 – COVID-19. During the testing of the reporting compliance requirement for award HHS000108500001, we selected all four quarterly FSRs and noted that one was submitted after the due date and one was not submitted to the grantor. Furthermore, for award HHS001019500002, we also selected all four quarterly FSRs and noted that two FSRs were not submitted to the grantor.

**Recommendation:** Management should ensure that they have a mechanism for tracking the reporting requirements and due dates so that the quarterly FSRs are submitted timely to the grantor.

**View of Responsible Officials:** Concur.

Austin Public Health (APH) identified the reporting discrepancy in August 2022 and implemented tighter controls to track the timely submission of FSRs.

APH experienced a large increase in grants from multiple sources related to COVID-19. APH also experienced a complete staff turnover and the addition of two accountant positions for grant billing. APH is implementing a monthly checklist for all Accountants to utilize during monthly grant billings. The checklist contains all monthly responsibilities, including each grant requiring reports to be submitted to the grantor. This checklist is submitted to the Accounting Manager to review with each grant monthly billing.

Estimated Completion – October 2022.

## Single Audit Report –Federal and State Programs (cont.)

### Federal Programs

- \$199,342,535 in Federal Program Expenditures During FY22
- Major Programs Selected For Testing During FY22

ALN #	Title	FY 2022 Expenditures
20.106	Airport Improvement Program	\$51,875,619
21.027	Coronavirus State and Local Fiscal Recovery Funds	\$19,832,703
21.023	Emergency Rental Assistance	\$9,289,313
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	\$6,870,175
93.268	Immunization Outreach	\$2,183,595
14.239	Home Investment Partnerships Program	\$1,916,802

## Single Audit Report –Federal and State Programs (cont.)

### State Programs

- \$4,572,783 in State Program Expenditures During FY22
- Major Programs Selected For Testing During FY22

Contract #	Title	FY 2022 Expenditures
2021-BG-ST-0025	BG-Rifle-Resistant Body Armor Grant Programs	\$570,146
HHS00010850001	Immunization Outreach	\$390,153
56-000011	Pharr Tennis Center	\$475,831

## Status of Other Reports

- Passenger Facility Charges (PFCs) Report
- Texas Commission on Environmental Quality (TCEQ) Agreed Upon Procedures Report



# APPENDICES

- Appendix A: Our Responsibility Under Generally Accepted Auditing Standards
- Appendix B: Accounting Estimates
- Appendix C: Representations from Management
- Appendix D: Control-Related Matters – Definitions

## Appendix A – Our Responsibility Under Generally Accepted Auditing Standards

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We did not audit the financial statements of Austin-Bergstrom Landhost Enterprises Inc. (ABLE), Austin Convention Enterprises Inc. (ACE), Austin Economic Development Corporation (AEDC), and Austin Transit Partnership Local Government Corporation (ATP), which represent 99.9%, 99.9%, and 98.7%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for ABLE, ACE, AEDC, and ATP, is based solely on the reports of other auditors.

## Appendix B - Accounting Estimates

Overview	Qualitative Assessment
Other Postemployment benefits (OPEB) Liability and Related Balances	
<ul style="list-style-type: none"><li>• Management engages an actuary to perform a valuation with the objective of estimating the total OPEB liability (TOL) for the City's other postemployment benefit plan in accordance with GASB 75.</li><li>• With data provided by the City on the plan participants and with management's oversight, the actuary makes certain assumptions about the plan participants, discount rate, mortality, rate of salary increases, inflation rate, and healthcare costs trends to develop the estimated TOL.</li><li>• This valuation is performed biennially and projected forward to the off years as permitted by GAAP. The liability for FY22 was determined by an actuarial valuation and measurement date as of December 31, 2021.</li><li>• The discount rate decreased in the current year, resulting in an increase to the total OPEB liability.</li></ul>	<ul style="list-style-type: none"><li>• Performed data analysis and other audit procedures of the underlying data used by the actuary to develop the assumptions and estimates</li><li>• Involved Deloitte actuarial specialists in the evaluation of the City's actuarial valuation, including the calculations and the reasonableness of assumptions</li><li>• Reviewed the related disclosures for accuracy and consistency with the actuarial study and GAAP requirements</li><li>• Management's methodology and resulting amounts were deemed reasonable</li></ul>

# Appendix B - Accounting Estimates (cont.)

Overview	Qualitative Assessment
Net Pension liability and related balances for City’s participation in three pension plans	
<ul style="list-style-type: none"><li>• Management obtained information from the three pension plans including actuarial valuations, audited plan financial statements, and census data.</li><li>• After evaluating the information received from the three plans, management used the information to calculate the balances that needed to be recorded in the current year based on a measurement date of December 31, 2021.</li><li>• The net pension liability, pension expense, and the related balances were allocated to the funds using annual contributions made by each fund during the measurement period.</li></ul>	<ul style="list-style-type: none"><li>• Agreed the total pension liability and fiduciary net position as well as certain disclosures from the audited plan financial statements and actuarial reports to the City’s disclosures</li><li>• Involved Deloitte actuarial specialists in the evaluation of the Plans’ actuarial valuations, including testing the calculations and the reasonableness of assumptions</li><li>• Tested management’s allocation of the pension balances to the funds</li><li>• Either analyzed and tested the census data used by the Plans’ actuaries or obtained an audited schedule of pension amounts from the respective Plan</li><li>• Management’s methodology and resulting amounts were deemed reasonable</li></ul>

# Appendix B - Accounting Estimates (cont.)

Overview	Qualitative Assessment
Asset Retirement Obligation –Environmental liabilities	
<ul style="list-style-type: none"><li>• Management developed the asset retirement obligations for nuclear assets by applying the latest escalation factors (specifically energy, waste burial, and public utility employee inflation rates) to the costs estimated in 2018 which were developed by specialists.</li></ul>	<ul style="list-style-type: none"><li>• Recalculated management’s application of the latest escalation factors to the cost estimates</li><li>• Agreed the escalation factors used to the third-party sources (if applicable)</li><li>• Obtained an understanding of the qualifications of the specialists</li><li>• Evaluated with the use of Deloitte specialists, the assumptions and methodology used in the 2018 study</li><li>• Management’s methodology and resulting amounts were deemed reasonable</li></ul>

# Appendix B - Accounting Estimates (cont.)

Overview	Qualitative Assessment
Deferred amounts related to accounting for regulated operations	
<ul style="list-style-type: none"><li>• Management considers the rate setting process and estimates the amount of costs that will be recovered in the future and costs that have been collected in advance through calculations that compare debt outstanding to the net book value of depreciable capital assets purchased with debt.</li><li>• In addition, management evaluates certain costs that have not been included in the rate setting process. This includes other key estimates such as nuclear decommissioning, pensions and other post employment benefits costs, and unrealized gains and losses on investments and derivatives.</li><li>• Management evaluates certain estimates by projecting them forward to determine if the amounts will amortize to zero over time if no other transactions that affected the deferred amounts occurred.</li></ul>	<ul style="list-style-type: none"><li>• Obtained an understanding of changes to management’s rate setting process and evaluated whether that the City continued to meet the criteria defined by GAAP</li><li>• Gained an understanding of the costs that will be recovered in the future and costs recovered in advance and tested the completeness of management’s identification of such costs</li><li>• Tested the amortization period of deferred regulatory costs model</li><li>• Tested the components of estimates that were significant to the calculation, including the forecast model</li><li>• Considered the consistency of the application of GAAP, as applicable to the City</li><li>• Management’s methodology and resulting amounts were deemed reasonable</li></ul>

## Appendix C – Representations from Management





# FINANCIAL SERVICES DEPARTMENT

PO Box 1088, Austin, TX 78767

March 8, 2023

Deloitte & Touche LLP  
500 W 2nd Street, Ste. 1600  
Austin, TX 78701

We are providing this letter in connection with your audits of 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 Austin, Texas (the "City"), as of and for the year ended September 30, 2022, which collectively comprise the City's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows, as applicable, of the City in accordance with accounting principles generally accepted in the United States of America (GAAP) and your single audit of the City for the year ended September 30, 2022. We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in accordance with GAAP.
- b. 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.
  - To prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
  - b. The financial statements include all fiduciary activities as required by GASB Codification Section 1300.111-.116, *Fiduciary Funds*.
  - c. Majority equity interests in legally separate organizations are properly accounted for in accordance with GASB Codification Section 2600.116, *Equity Interests in Component Units*.
  - d. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.



# FINANCIAL SERVICES DEPARTMENT

PO Box 1088, Austin, TX 78767

- e. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - f. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated. Related costs have been recognized as an expense in the period in which the costs are incurred, in accordance with GASB Codification Section 1400.120-.121, *Interest Cost Incurred before the End of a Construction Period*.
  - g. Required supplementary information is measured and presented within prescribed guidelines.
  - h. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - i. The City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.
  - j. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - k. All funds that meet the quantitative criteria in the GASB Codification Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  - l. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - m. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - n. The City has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
  - o. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  - p. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. The City has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  3. The City has made available to you:
    - a. All minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.



# FINANCIAL SERVICES DEPARTMENT

PO Box 1088, Austin, TX 78767

- b. All financial records and related data for all financial transactions of the City and for all funds administered by the City. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the City and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
  - a. Action taken by City management that contravenes the provisions of federal laws and State of Texas laws and regulations, or of contracts and grants applicable to the City.
  - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole for each opinion unit. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The City has disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the City involving:
  - a. Management.
  - b. Employees who have significant roles in the City's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*.
10. The methods, significant assumptions, and the data used by us in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, or disclosure that is in accordance with GAAP.
11. We are responsible for the preparation of the Schedule of Expenditures of Federal and State Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance") and the Texas Grant Management Standards (TxGMS). We have identified and



# FINANCIAL SERVICES DEPARTMENT

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disclosed all of the City's government programs and related activities subject to the OMB Uniform Guidance and TxGMS compliance audit. The Schedule of Expenditures of Federal Awards and State Awards is a complete list of all awards required to be presented for the year ended September 30, 2022. In addition, we have accurately completed the appropriate sections of the data collection form.

12. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance, TxGMS and the provisions of grants and contracts relating to the City's operations. We are responsible for understanding and complying with the requirements of the federal and state statutes and regulations and the terms and conditions of federal and state awards related to each of the City's federal and state programs. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
13. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2022 or are in process as of September 30, 2022.
14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards that could have a material effect on its federal and state programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. Except as disclosed in Note 21 to the basic financial statements, no events have occurred subsequent to September 30, 2022, that require consideration as adjustments to or disclosures in the schedule of federal and state awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
17. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2022.
18. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by the City with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2022.
19. Federal and state awards expenditures have been charged in accordance with applicable cost principles, as applicable.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.



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21. We have disclosed all contracts or other agreements with service organizations.
22. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal and state awards at those organizations.
23. We have:
  - a. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations. We have also provided the status of the follow-up on prior audit findings (and information about all management decisions) by federal and state awarding agencies and pass-through entities.
  - b. Provided to you our views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for your report.
  - c. Identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program under audit.
  - d. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal and state awards except as disclosed in the Schedule of Findings and Questioned Costs.
  - e. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - f. Made available all federal and state awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements. Federal and state financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal and State Awards. The copies of federal and state program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal and state agency or pass-through entity, as applicable.
  - g. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards, including the results of other audits, program reviews, or any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
  - h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance and TxGMS.



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- i. Issued management decisions for audit findings that relate to federal and state awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. In addition, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and state award provided to the subrecipient from the City.
  - j. Considered the results of the subrecipient's audits and made any necessary adjustments to the City's own books and records.
24. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with *Government Auditing Standards*, OMB Uniform Guidance and TXGMS.
  25. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance and/or TxGMS. We have included in the corrective action plan for current-year findings the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, or violations of provisions of contracts or grant agreements that you report.
  26. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
  27. We believe that we have properly identified, reported, and classified each component unit of the City and each activity that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.
  28. The City has appropriately identified and disclosed all segments in accordance with GASB Codification Section 2500, *Segment Information*.
  29. The City has informed you that the annual report comprises: the Annual Comprehensive Financial Report (the "annual report"). The City's final version of the annual report has been provided to you and is consistent with the financial statements and does not contain any material misstatements. The City expects to issue the annual report and make it available to users electronically on or about March 8, 2023.
  30. The City has appropriately identified and recorded all intangible assets under GASB Codification Section 1400.138 – 1400.153, *Intangible Assets*.
  31. The City recognized an asset retirement obligation related to related to certain Austin Energy and Austin Water assets because both an external obligating event and an internal obligating event resulting from normal operations have occurred as of September 30, 2022, and the amount of the liability is reasonably estimable. The City has properly disclosed all information related to the asset retirement obligation.
  32. We understand that the implementation of GASB Statement 87, *Leases*, and the respective recording of both the lease receivable, where the City is a lessor, and the lease liability, where the City is a



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lessee, were tested using statistical or other sampling techniques. We further understand that an error in recording lease receivables/deferred inflows (collectively, "lease accounts") as of September 30, 2022, were found by you in the sample items selected. The effect of the factual error identified was not above your clearly trivial threshold for the opinion unit. We also understand that to estimate the total amount of errors in the lease accounts, a mathematical projection of the error has been computed, which results in an understatement of \$452,725 of the lease receivable and deferred inflows of resources of the Airport fund at September 30, 2022. Only additional testing and verification by either the City or you would produce a more accurate estimate of the error within the lease accounts. Based on our judgment of the materiality of the understatement, we believe the effects of such potential unrecorded errors, as well as the effects when considered with the items in Appendix A, are immaterial to the financial statements taken as a whole.

33. The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 91, *Conduit Debt Obligations*, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, No. 96, *Subscription-Based Information Technology Arrangements*, No. 100, *Accounting Changes and Error Corrections*, and No. 101 *Compensated Absences*, as discussed in Note 1. The City is therefore unable to disclose the impact that adopting GASB Statements No. 91, 94, 96, 100, and 101 will have on its financial position, results of operations, and cash flows when such statement is adopted.
34. The City has recorded certain investment pools measured at amortized costs as of September 30, 2022. We have evaluated the criteria in paragraph 4 of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and have determined that the pools measured at amortized cost meet the criteria for amortized cost reporting.
35. Tax-exempt bonds issued have retained their tax-exempt status.
36. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.

Except where otherwise stated below, immaterial matters less than \$3,000,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

37. Except as listed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.
38. The City has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
39. Regarding related parties:
  - a. We have disclosed to you the identity of all the City's related parties and all the related-party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.



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40. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
41. There are no:
  - a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.
  - d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.
42. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
43. The City has complied with all aspects of contractual agreements that may affect the financial statements.
44. No department or agency of the City has reported a material instance of noncompliance to us.
45. The City has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
46. Other than those described in Note 21 to the financial statements, no events have occurred after September 30, 2022, but before March 8, 2023, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements.
47. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with GAAP.





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- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
- 48. Regarding supplementary information:
  - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP and the Government Finance Officers' Association (GFOA) guidelines.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP and GFOA guidelines.
  - c. The methods of measurement and presentation of the supplementary information has not changed from those used in the prior period.
- 49. We have identified the following significant assumptions and factors affecting derivatives as disclosed in Note 12. The assumptions are reflective of management's intent and ability to carry out specific courses of action and the significant assumptions used are consistent with the City's plans and past experience.
- 50. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
- 51. The City has properly identified all derivative instruments and any financial instruments that contain embedded derivatives. The City's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies, and all appropriate hedge documentation was in place at the inception of the hedge in accordance with GASB Codification Section D40, *Derivative Instruments*. Specifically, we have appropriately designated all hedging instruments as either fair value or cash flow hedges or hedges of the foreign currency exposure of a net investment in a foreign operation. The timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives, embedded derivatives that have been bifurcated, financial instruments that contain embedded derivatives for which the City has elected to measure the financial instruments at fair value in their entirety (pursuant to the provisions of GASB Codification Section D40), and hedged items have been determined based on GAAP using prevailing market prices or by using financial models that are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at September 30, 2022.
- 52. With regard to the fair value measurements and disclosures of certain assets, liabilities, such as investments and derivatives:
  - a. The completeness and adequacy of the disclosures related to fair values are in accordance with GAAP.
  - b. No events have occurred after September 30, 2022, but before March 8, 2023, the date the financial statements were issued that require adjustment to the fair value measurements and disclosures included in the financial statements.



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53. The City has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.181 – 1400.201, *Impairment of Capital Assets*. In making this determination, the City considered the following factors:
  - a. The magnitude of the decline in service utility is significant.
  - b. The decline in service utility is unexpected.
54. The City has properly identified and accounted for all pollution remediation activities in accordance with GASB Codification Section P40, *Pollution Remediation Obligations*. In performing this assessment, we considered whether one of the five obligating events had occurred and whether a recognition benchmark had been met. There are currently no other activities that meet the criteria in the standard for recognition of an expenditure.
55. We agree with the findings of management's expert in evaluating the actuarial and environmental liabilities and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.
56. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
57. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
58. Provisions for uncollectible receivables have been properly identified and recorded.
59. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the City and do not include any items consigned to it or any items billed to customers.
60. We believe that all expenditures that have been deferred to future periods are recoverable.
61. The City has evaluated its leases and has properly classified, recognized, and reported all leases in accordance with the recognition, measurement, financial reporting, and disclosure requirements set forth in GASB Codification Section L20, *Leases*.
62. The City intends and has the ability to refinance maturing commercial paper notes by issuing long-term debt. Commercial paper notes have been presented as long-term liabilities in accordance with GASB Codification Section 1500, Reporting Liabilities, due to letter of credit agreements associated with the commercial paper notes. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments.
63. We have disclosed to you all new or changes to the existing pension and other postretirement plans.



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64. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the City's financial statements in accordance with GASB Codification Section P20, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
65. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, net position and changes in net position in the City's financial statements in accordance with GASB Codification Section P52, *Postemployment Benefits Other than Pensions — Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
66. We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.
67. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
68. We have no intention of terminating any of our pension or postretirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
69. We have properly recorded and disclosed concession arrangements with third-party operators in the financial statements in accordance with GASB Codification Section S30, *Service Concession Arrangements*.
70. A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management believe that settlement of these claims and pending litigation will not have a material effect on the City's financial statements.
71. There are a number of limitations and restrictions contained in the City's various bond indentures. We believe that the City is in compliance with all such limitations and restrictions.
72. The City participates in numerous state and federal programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the grant programs are subject to audit and adjustment by the grantor agencies. Management believes that no material liability will arise from any such audits.
73. Over -the -counter agreements expose Austin Energy to credit, termination, and non-performance risk. However, management believes that Austin Energy's exposure to termination and non-performance risk is minimal due to the high credit rating of the counterparties and the contractual provisions under the International Swaps and Derivatives Association ("ISDA") agreement applied to these contracts.
74. The City has the intention and ability to renew its LCRA water rights lease for an additional 50-year term beginning January 1, 2051.



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75. The City was in compliance with the Build America Bonds compliance requirements as of September 30, 2022.
76. The City is subject to various rate regulatory matters and, using its best estimate based on reasonable and supportable assumptions and projections, has made provision for any probable and reasonably estimable disallowances or liabilities due to customers as a result of such matters.
77. All regulatory assets and liabilities have been recorded in accordance with the orders or other guidance of the City's regulatory commissions and in accordance with the provisions of GASB Codification Section Re10, Regulated Operations. Regulatory assets represent incurred costs that are probable of recovery from future revenues. Regulatory liabilities represent amounts imposed by rate actions of the City's regulators that may require refunds to customers, represent amounts provided in current rates that are intended to recover costs that are expected to be incurred in the future for which the City remains accountable, or represent a gain or other reduction of allowable costs to be given to customers over future periods. All expenditures that have been deferred to future periods are recoverable.
78. The City is only responsible for funding a deficiency in Austin-Bergstrom Landhost Enterprises, Inc.'s (ABLE) Senior Debt Service Reserve Fund (DSRF) only to the extent that sufficient Surplus Airport System Revenues are available. The City believes these deficiencies are isolated as a result of COVID-19 and future loss contingencies cannot be reasonably estimated.
79. All documentation related to sales transactions is contained in customer files. We also confirm that:
  - a. We are not aware of any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice, or any other documentation contained in the customer's file. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise, or commitment, whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral, by or on behalf of the City (or any subsidiary, director, employee, or agent of the City) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of the City delivered to or generated by the City's Accounting and Finance Department. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of the City that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.
  - b. We are not aware of any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the customer's file.
80. Regarding tax abatement agreements, in accordance with GASB Codification Section 2300.107, *Notes to the Financial Statements*, we have disclosed to you all:
  - a. Agreements that are entered into by the City, and
  - b. Agreements that are entered into by other governments and that reduce the City's tax revenues, including specified taxes and related amounts abated.



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81. The City has evaluated the effects of the COVID-19 Preparedness and Response Appropriations Act; Families First Coronavirus Response Act; Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"); Coronavirus Response and Relief Supplemental Appropriations Act; and the American Rescue Plan Act (collectively, the "COVID-19 Acts") and determined that the related financial reporting considerations are accounted for and reported appropriately under the applicable financial accounting reporting framework.

A handwritten signature in black ink, appearing to read "Ed Van Eenoo".

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Ed Van Eenoo, Chief Financial Officer

A handwritten signature in black ink, appearing to read "Marija Jukic".

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Marija Jukic, Controller

cc: Audit and Finance Committee of the City of Austin

City of Austin, Texas  
Summary of Uncorrected Misstatements  
Year Ended September 30, 2022

APPENDIX A

Impact of Uncorrected Misstatements on Financial Statements

Nonmajor Governmental (in 000's)	As Reported 30-Sep-22	Fiscal Year 2022 Adjustments	If Adjusted 30-Sep-22
Assets	\$ 901,437		\$ 901,437
Deferred Outflows	-		-
Assets and Deferred Outflows	901,437	-	901,437
Liabilities	522,341		522,341
Deferred Inflows	10,603		10,603
Total Liabilities and Deferred Inflows	532,944	-	532,944
Fund Balance	\$ 368,493	-	\$ 368,493
Operating and Other revenues	\$ 750,036	(2,695) <A>	\$ 747,341
Operating and Other expenses	(862,304)	2,695 <A>	(859,609)
Other financing sources (uses)	194,491		194,491
Change in Fund Balance	82,223	-	82,223
Beginning Fund Balance	286,270		286,270
Ending Fund Balance	\$ 368,493	\$ -	\$ 368,493

Adjustments

	Debit	Credit
CURRENT YEAR MISSTATEMENTS		
<A> Operating Revenue	\$ 2,695	
<A> Operating Expense		\$ 2,695
To record adjustment related to accrual of grant expenditures		

# Appendix D – Control-Related Matters – Definitions

## Definitions

The definitions of a deficiency, material weakness, and significant deficiency are as follows:

### Deficiency

A deficiency in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

### Material weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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.

### Significant deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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