

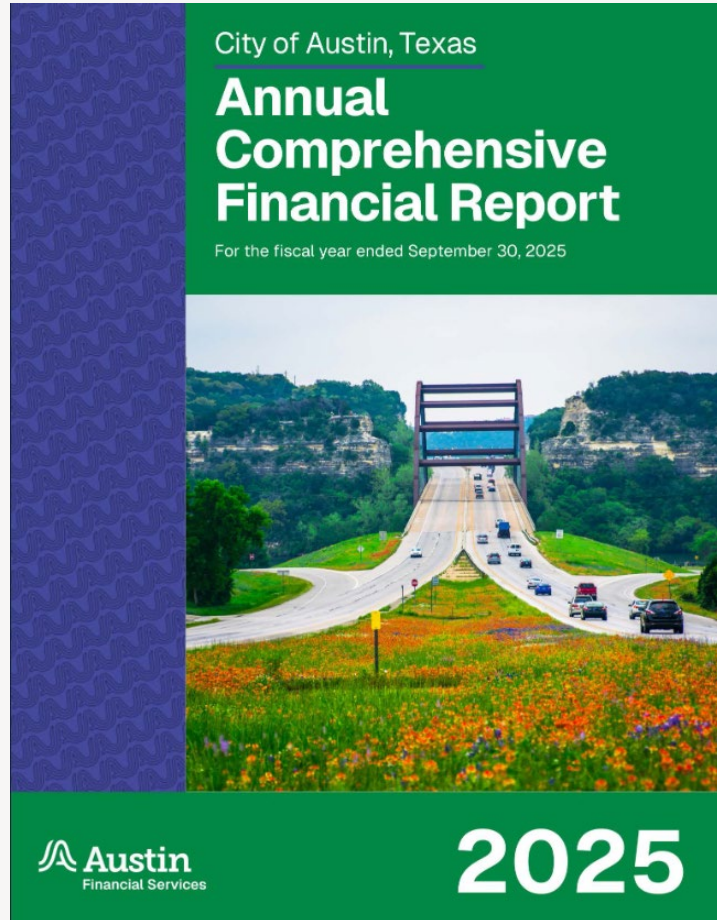


# City of Austin External Audit Presentation

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Austin Financial Services | April 15, 2026

# Annual Comprehensive Financial Report (ACFR)



- Annual Comprehensive Financial Report (ACFR)
- Issued March 6, 2026
- <https://austin.widen.net/s/xwlcnccltpm/fy2025-annual-comprehensive-financial-report>

# Financial Audit Requirements



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.

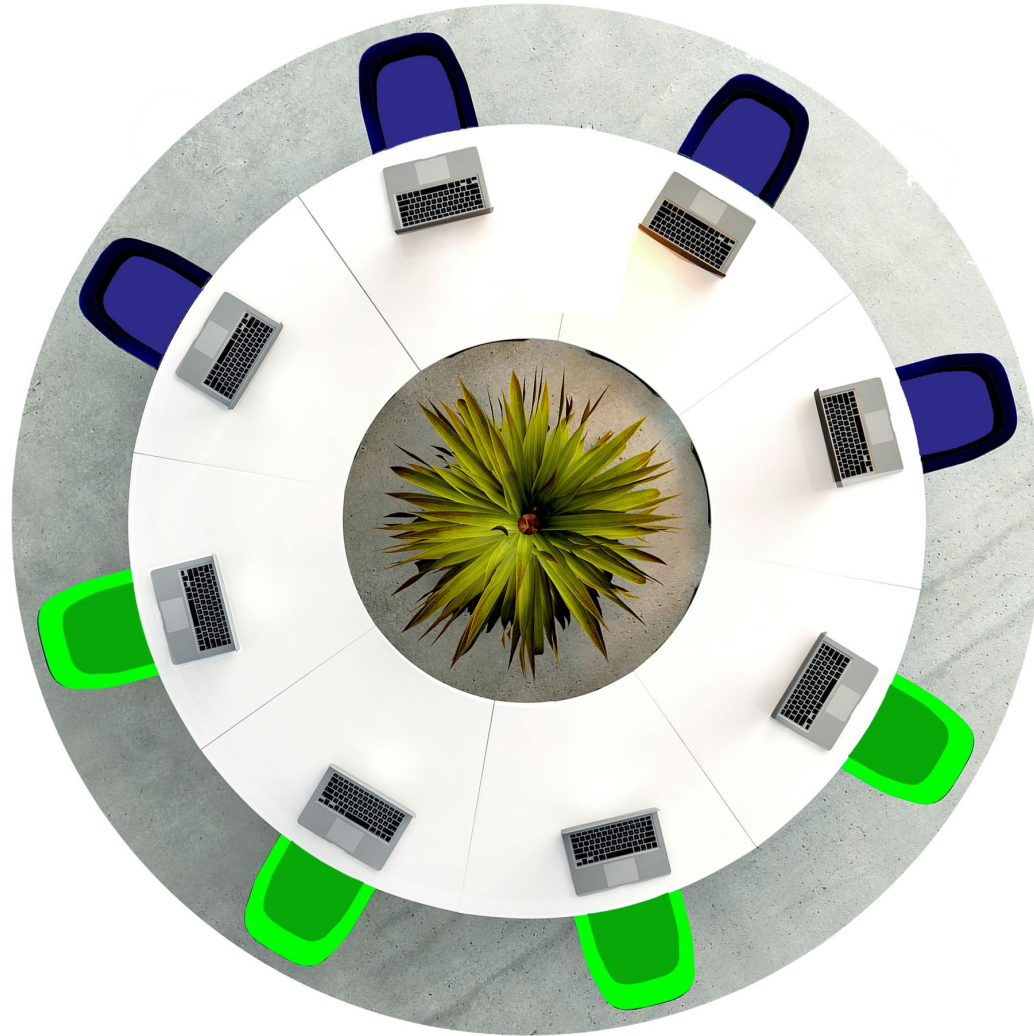
# THANK YOU!!



- 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 Austin Financial Services' team and support of excellence in financial management
- City staff, especially the Austin Financial Services-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

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# City of Austin, Texas Results of the Audit

As of April 9, 2026

Meeting Date: April 15, 2026

Tracey Guidry Cooley, Managing Director  
Madeline Morris, Manager



Deloitte & Touche LLP  
500 West Second Street  
Suite 1600  
Austin, TX 78701-4671  
USA  
Tel.: +1 512 691 2330  
Fax: +1 512 708 1035  
www.deloitte.com

April 9, 2026

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, 2025 (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 reports thereon dated March 6, 2026.

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".

cc: The Management of the City of Austin, Texas

# Executive Summary



## Audit Status

- Our audits are complete with no outstanding matters to report on the City’s Annual Comprehensive Financial Report
- The Federal and State single audits and the Passenger Facility Charges compliance audit **are ongoing** as of April 9, 2026.
- A significant deficiency was identified in internal controls over financial reporting related to Austin Firefighters Retirement Fund plan liability (See Control-Related Matters)



## Accounting Changes

- Implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures* – no material impact



## Upcoming GASB Pronouncements

- GASB Statement No. 103, *Financial Reporting Model Improvements*
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*

# Required Communications

● Matters to discuss      ● No matters identified

	Audit results
Independence	●
Our Responsibility Under Generally Accepted Auditing Standards (GAAS)	●
Significant Accounting Policies and Practices	●
Significant Accounting Estimates	●
Uncorrected and Corrected Misstatements and Passed Disclosures	●
Control-Related Matters	●
Consultation with Other Accountants	●
Significant Transactions	●
Management Representations	●
Emphasis of Matter	●
Disagreements with Management	●
Going Concern	●
Related Parties	●
Significant Findings or Issues Discussed with Management Prior to Our Retention	●
Other Significant Findings or Issues Arising from the Audits Discussed, or Subject of Correspondence, with Management	●
Significant Difficulties Encountered in Performing the Audits	●

# Independence & Our Responsibility under Generally Accepted Auditing Standards



We are required to be independent of the City and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. Ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive.

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated June 5, 2025. 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 over financial reporting in order to design audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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.

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

# Significant Accounting Policies and Practices and Accounting Estimates



## ***Significant Accounting Policies***

The City's significant accounting policies are set forth in Note 1 to the City's 2025 financial statements. We are aware of the following changes in previously adopted significant accounting policies or their application during the year ended September 30, 2025: the adoption of GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. The impact of the adoption of these statements is outlined in Note 1 to the basic financial statements. Further, the impact to beginning net position as a result of the adoption of GASB Statement No. 101, *Compensated Absences*, is outlined in Note 21 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 postemployment 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, 2025.

A summary of uncorrected misstatements identified in the current year that relate to the prior year are presented in the attached management representation letter. The adjustments were corrected in fiscal year 2025 by City management. See **Appendix C** for the management representation letter.

# 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 (continued)



## **Finding: Significant Deficiency — Fire Fighters’ pension valuation review controls**

The City’s detective, higher-level review control over pension amounts and disclosures within the Fire Fighters’ Relief and Retirement Plan actuarial valuation report did not operate with sufficient precision to detect that fact that Texas House Bill 2802 (HB 2802) was not reflected correctly in the original valuation; and a revised valuation was required to be obtained from the Fire Fighters’ actuarial specialists. As a result, a \$13.6 million increase to expense and deferred inflows was recorded by the City. Management appropriately recorded a correcting entry.

**View of Responsible Party:** Concur. Austin Financial Services will implement corrective actions to strengthen review controls over the actuarial valuation of the City’s pension plans. As part of that corrective action plan, management will establish a process to identify and evaluate the financial reporting impact of future legislative changes, including technical review steps, as needed, to validate actuarial assumptions and confirm that all legislative changes are appropriately reflected in accordance with applicable accounting requirements.

# Status of Other Reports

- Texas Commission on Environmental Quality (TCEQ) Agreed Upon Procedures Report – Issued March 27, 2026
- The Federal and State Single Audits and the Passenger Facility Charges compliance audit are ongoing as of April 9, 2026.

# Control-Related Matters – PY Material Weakness

We consider the following PY Material Weakness in the City’s internal control over financial reporting to be remediated as of September 30, 2025:

## Finding 2024-001: Material Weakness in Internal Control over Financial Reporting – Review of Other Postemployment Benefits (OPEB) Actuarial Valuation

**Condition:** During the Plan’s open enrollment in November 2023, The City of Austin (the “City”) began offering a Medicare Advantage (“MA”) plan option to its Medicare-eligible retiree population, effective January 1, 2024. MA plans are rated to eliminate cost differences due to age, and the City’s contributions towards MA plan premiums are much lower than contributions toward other Plan premiums. Given the cost-saving impact, a significant portion of Plan members enrolled in this option. However, the actuarial valuation of the OPEB liability as of September 30, 2024, determined at the measurement date of December 31, 2023, did not incorporate the impact of the addition of those retirees that opted into the MA plan in accordance with the provisions of GASB Statement No. 75.

**Cause:** Management did not identify the exclusion of the MA option during their review of their third-party prepared actuarial OPEB valuation supporting the September 30, 2024 OPEB liability.

**Effect:** The OPEB valuation was subsequently updated to reflect the addition of the MA option, which resulted in the following impact to the financial statements:

Financial Statement Line Item	Debit	Credit
OPEB Liability	\$766,669,277	
OPEB Expense		(\$718,876,589)
OPEB Deferred Outflows		(\$47,792,688)

The reduction in OPEB deferred outflows noted above resulted in an associated \$7.8M decrease of amortization expense recognized for the year ended September 30, 2024. Management recorded this adjustment as a correcting entry in the fiscal year 2024 financial statements.

### Management’s Update on Remediation:

City management has taken corrective action to address the audit finding related to OPEB reporting. Internal procedures have been enhanced to incorporate additional review steps, such as formal coordination with Austin Human Resources and actuaries to confirm that all plan and benefit changes, as well as assumption, are accurately reflected in the appropriate reporting period. In addition, targeted training has been provided to staff responsible for reviewing the OPEB actuarial valuation to strengthen understanding of actuarial reports, key assumptions, and timing considerations. These actions are intended to improve accuracy, consistency, and oversight in future OPEB reporting.

# 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 E: Other Required Communications
- Appendix F: Upcoming GASB Pronouncements

## 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 Transit Partnership Local Government Corporation (ATP), Retreat at North Bluff, LP (RNB), Central Housing, LP (CHLP), Hyde Park Housing, LP (HPLP), 12100 Metric, LP (12MTLP), and Cielo at North Domain, LP (CNDLP), which represent 98.5%, 98.9% and 97.1%, respectively, of the assets, net position and revenues of the aggregate discretely presented component unit as of September 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for ABLE, ACE, ATP, RNB, CHLP, HPLP, 12MTLP, and CNDLP is based solely on the reports of the other auditors.

# Appendix B - Accounting Estimates

## Overview

## Qualitative Assessment

### Other Postemployment benefits (OPEB) Liability and Related Balances

- 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.
  - 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.
  - This valuation is performed biennially and projected forward to the off years as permitted by GAAP. The liability for FY25 was determined by an actuarial valuation of December 31, 2023, rolled forward to a measurement date of December 31, 2024.
- Performed data analysis and other audit procedures of the underlying data used by the actuary to develop the assumptions and estimates
  - Involved Deloitte actuarial specialists in the evaluation of the City's actuarial valuation, including the calculations and the reasonableness of assumptions
  - Reviewed the related disclosures for accuracy and consistency with the actuarial study and GAAP requirements
  - Management's methodology and resulting amounts were deemed reasonable

## Appendix B - Accounting Estimates (continued)

### Overview

### Qualitative Assessment

#### Net Pension liability and related balances for City's participation in three pension plans

- Management obtained information from the three pension plans including actuarial valuations, audited plan financial statements, and census data.
- 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, 2024.
- 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.
- 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
- Involved Deloitte actuarial specialists in the evaluation of the Plans' actuarial valuations, including testing the calculations and the reasonableness of assumptions
- Tested management's allocation of the pension balances to the funds
- Obtained audited schedules of pension amounts from the respective Plans
- Except for the impact of the significant deficiency described herein, management's methodology and resulting amounts were deemed reasonable

# Appendix B - Accounting Estimates (continued)

## Overview

## Qualitative Assessment

### Asset Retirement Obligation – Environmental liabilities

- 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 2023 which were developed by specialists.
- Recalculated management’s application of the latest escalation factors to the cost estimates
- Agreed the escalation factors used to the third-party sources (if applicable)
- Obtained an understanding of the qualifications of the specialists
- Evaluated with the use of Deloitte specialists, the assumptions and methodology used in the 2023 study
- Management’s methodology and resulting amounts were deemed reasonable

## Appendix B - Accounting Estimates (continued)

### Overview

### Qualitative Assessment

#### Deferred amounts related to accounting for regulated operations

- 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.
  - 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.
  - 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.
- 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
  - 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
  - Tested the amortization period of deferred regulatory costs model
  - Tested the components of estimates that were significant to the calculation, including the forecast model
  - Considered the consistency of the application of GAAP, as applicable to the City
  - Management’s methodology and resulting amounts were deemed reasonable

# Appendix C – Representations from Management

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PO Box 1088, Austin, TX 78767  
FinancialServices@austintexas.gov  
512-974-2000

March 6, 2026

Deloitte & Touche LLP  
500 West 2nd Street, Suite 1600  
Austin, Texas 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 (the "City" or "Entity"), as of and for the September 30, 2025, 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, 2025.

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.

# Appendix C – Representations from Management

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- b. The financial statements include all fiduciary activities as required by Governmental Accounting Standards Board (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.
- 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. Interest costs incurred before the end of a construction period have been recognized as an expense in the period in which the costs are incurred, in accordance with GASB Codification Section 1400.128-.129, *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 Entity'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 and 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 2200.160 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.

# Appendix C – Representations from Management

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- n. The City has followed its established accounting policy 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. Interfund, 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 City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - 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. 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.
  6. 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.

# Appendix C – Representations from Management

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- c. Others, where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of (1) fraud or suspected fraud or (2) noncompliance or suspected noncompliance with laws and regulations, contracts, or grant agreements, affecting the City's financial statements communicated by employees, former employees, analysts, regulators, granting agencies or others.
  8. 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*.
  9. 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.
  10. 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 Texas Grant Management Standards ("TxGMS"), including understanding and complying with the related compliance requirements. We have identified and 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 and State Awards are complete lists of all federal and state awards required to be presented for the year ended September 30, 2025 and includes expenditures made during the period being audited for all awards provided by federal or state agencies or pass-through entities in the form of grants, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, in-kind donations, and other direct assistance, as applicable. In addition, we have accurately completed the appropriate sections of the data collection form.
  11. We are responsible for compliance and have complied 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 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.
  12. 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.

# Appendix C – Representations from Management

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13. We have informed you of all investigations or legal proceedings that have been initiated during the year ended September 30, 2025 or are in process as of September 30, 2025.
14. We are responsible for all nonaudit services performed by you during the year ended September 30, 2025 and through March 6, 2026. We assume all management responsibilities for those services, including overseeing those services by designating an individual who possesses suitable skills, knowledge, or experience. We will evaluate the adequacy and results of the services performed and accept responsibility for the results of the services.
15. 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 laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal or state programs.
16. 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.
17. No events have occurred subsequent to September 30, 2025, 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 except for events disclosed in Note 22 to the basic financial statements.
18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2025.
19. 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, 2025.
20. Federal and state awards expenditures have been charged in accordance with applicable cost principles, as applicable.
21. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(c) does not contain protected personally identifiable information.
22. We have disclosed all contracts or other agreements with service organizations.
23. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal and state statutes, regulations, and terms and conditions of federal and state awards at those organizations.

# Appendix C – Representations from Management

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24. 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.
  - 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 and state programs and related activities that have taken place with federal and state 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 program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared. The copies of federal and state program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal 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 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 and state statutes, regulations, and terms and conditions of the subaward and have met the other pass-through entity requirements of OMB Uniform Guidance and TxGMS.
  - 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

# Appendix C – Representations from Management

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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.
- 25. We are responsible for follow-up on all prior-year(s) findings and have a process to track the status of audit findings and recommendations. We have prepared a summary schedule of prior-year findings by federal and state awarding agency and pass-through entity, including all management decisions, 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.
- 26. 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 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 respond to identified or suspected fraud, noncompliance with the provisions of laws, regulations, contracts, and grant agreements that you report.
- 27. In accordance with legal or regulatory requirements, we are responsible for reporting identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, as specified in law or regulation to (1) the City Council and (2) to the funding agencies in accordance with grant provisions and/or statutory requirements that is likely to have a material effect on the subject matter and involves funding received directly or indirectly from a government agency.
- 28. 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*.
- 29. The City has appropriately identified and disclosed all segments in accordance with GASB Codification Section 2500, *Segment Information*.
- 30. The Entity has informed you that the annual report comprises: the Annual Comprehensive Financial Report (ACFR) (the ACFR). The City's final version of the ACFR 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 ACFR and make it available to users electronically on or about March 6, 2026.
- 31. The Entity has appropriately identified and recorded all intangible assets under GASB Codification Section 1400.130 – 1400.144, *Intangible Assets*.

# Appendix C – Representations from Management

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32. The City recognized an asset retirement obligation related to Austin Energy, Austin Water, and Fleet assets because both an external obligating event and an internal obligating event resulting from normal operations have occurred as of September 30, 2025, and the amount of the liability is reasonably estimable. The City has properly disclosed all information related to the asset retirement obligation.
33. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2024, taken as a whole. For the year ended September 30, 2024, within the Governmental Activities, the Other Long-Term Assets account was understated by \$9.0M and the Construction in Progress account was overstated by \$9M. For the Austin Energy fund, the net Right-to-Use Asset account was understated by \$9.9M and the corresponding IT Subscriptions Payable account was understated by \$9.2M. These were corrected by management in fiscal year 2025.
34. We believe that the recognition of compensated leave liabilities as a result of implementing GASB Statement No. 101, *Compensated Absences*, meets the criteria for reporting as an accounting change as described in GASB Statement No. 100, *Accounting Changes and Error Corrections*, paragraphs 4-11.
35. The Entity has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets*, and GASB Statement No. 105, *Subsequent Events*. The City is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position, results of operations, and cash flows when such statement is adopted.
36. The Entity has recorded certain investment pools measured at amortized costs as of September 30, 2025. 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.
37. Tax-exempt bonds issued have retained their tax-exempt status.
38. We have complied with all applicable provisions of the Foreign Corrupt Practices Act.
39. The Entity has provided to you a listing that identifies the legal names of the Entity's affiliates, including affiliates as defined in AICPA Interpretation 1.224.020, *State and Local Government Client Affiliates*, together with the ownership relationship among such entities.

Except where otherwise stated below, immaterial matters less than \$5,200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following

# Appendix C – Representations from Management

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representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

40. There are no transactions that have not been properly recorded and reflected in the financial statements.
41. The Entity has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
42. 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.
43. 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.
44. 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. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.
  - d. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

# Appendix C – Representations from Management

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45. 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. Further, the City has ownership of all reported infrastructure assets, or if ownership is unclear, the City has responsibility for managing all reported infrastructure assets.
46. The City has complied with all aspects of contractual agreements that may affect the financial statements.
47. No department or agency of the City has reported a material instance of noncompliance to us.
48. 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.
49. Other than those described in Note 22 to the financial statements, no events have occurred after September 30, 2025, but before March 6, 2026, the date the financial statements were issued, that require consideration as adjustments to, or disclosures in, the financial statements. Subsequent events have been evaluated and classified as recognized or nonrecognized through March 6, 2026.
50. 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.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
51. Regarding supplementary information:
  - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GAAP.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP, Uniform Guidance, TxGMS, and GFOA guidelines.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
  - d. We confirm that when the Schedule of Federal and State Awards ("SEFA" and "SESA") are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SESA no later than the date of issuance of the SEFA and SESA and our audit report thereon.
52. We have identified the following significant assumptions and factors affecting derivatives as disclosed in Note 12 to the financial statements. The assumptions are reflective of

# Appendix C – Representations from Management

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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.

53. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
54. 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, 2025.
55. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, 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, 2025, but before March 6, 2026, the date the financial statements were issued that require adjustment to the fair value measurements and disclosures included in the financial statements.
56. The Entity has determined whether a capital asset has been impaired in accordance with GASB Codification Section 1400.154 – 1400.174, *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.
57. 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.
58. 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

# Appendix C – Representations from Management

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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.

59. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms. Further, all interfund loans include only amounts that are expected to be repaid within a reasonable period of time and the borrowing funds have the ability and intent to repay the loans.
60. 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.
61. Provisions for uncollectible receivables have been properly identified and recorded.
62. 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.
63. We believe that all expenditures that have been deferred to future periods are recoverable.
64. 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*.
65. We have properly recorded and disclosed subscription-based information technology arrangements, including the related right to use assets, subscription liabilities, and other related amounts, in accordance with GASB Codification Section S80, *Subscription-Based Information Technology Arrangements*.
66. The City intends and has the ability to refinance maturing commercial paper notes and other notes by issuing long term debt. Outstanding commercial paper notes and other notes scheduled to mature during the ensuing fiscal year will be refinanced by issuing additional commercial paper notes or by issuing long-term debt and will not require the use of working capital during the period; therefore, these liabilities are classified as long-term obligations. (A) For the Combined Utility Systems Debt – Tax Exempt Commercial Paper Notes, the notes are payable at maturity to the holder at a price equal to the principal plus accrued interest. If the remarketing agent is unable to successfully market the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal installments. (B) For the Combined Utility Systems Debt – Taxable Commercial Paper Notes, the taxable notes are payable at maturity to the holder at a price equal to the principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity provider and become bank notes with principal due immediately. The taxable notes are secured by a direct-pay letter of credit (as

# Appendix C – Representations from Management

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disclosed in Note 9), which permits draws for the payment of the taxable notes. A 24-month term loan feature is provided by this agreement. (C) Effective February 19, 2025, the City is authorized to issue its Airport System Subordinate Lien Revolving Revenue Notes (the "Subordinate Notes") in a total principal amount not to exceed \$150 million outstanding at any one time, which constitute Subordinate Obligations. The Subordinate Notes are issued pursuant to an ordinance adopted by the City Council on January 30, 2025 (the "Note Program Ordinance"), establishing a "Note Program" that permits the issuance of Subordinate Notes from time to time. The Subordinate Notes are initially to be purchased by Wells Fargo Bank, National Association (the "Note Purchaser") under a Note Purchase Agreement dated February 1, 2025 (the "Initial NPA") between the City and the Note Purchaser. The Initial NPA is scheduled to expire on February 18, 2028, unless earlier terminated or extended in accordance with its terms. As of September 30, 2025, the City had issued \$60 million aggregate principal amount of Subordinate Notes, which mature on May 29, 2026. The City intends to refinance maturing Subordinate Notes by issuing long-term debt.

67. Provision has been made for any loss that is probable from environmental remediation liabilities associated with Holly and Fayette Power Plants. We believe that such estimate is reasonable based on available information and that the liabilities, related loss contingencies, and expected outcome of uncertainties have been adequately described in the City's financial statements.
68. We have disclosed conduit debt obligations in the financial statements in accordance with the requirements of GASB Codification Section C65, *Conduit Debt Obligations*, and have reported as liabilities only those conduit debt obligations that meet the criteria for recognition.
69. We have appropriately considered our vulnerabilities due to certain concentrations or constraints in accordance with GASB Statement No. 102, *Certain Risk Disclosures* and concluded that no disclosure was warranted.
70. We have disclosed to you all new or changes to the existing pension and other postretirement benefit plans.
71. 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 appropriate fund in accordance with GASB Codification Section P20, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
72. 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, deferred inflows, deferred outflows, net position, and changes in net position in the appropriate fund 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*.

# Appendix C – Representations from Management

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73. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
74. We have no intention of terminating any of our pension or other postretirement benefit 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 or postretirement benefit plans to which we contribute.
75. We have properly recorded and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASB Codification Section P90, *Public-Private and Public-Public Partnerships*.
76. 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.
77. Regarding tax abatement agreements, in accordance with GASB Codification Section 2300.107, *Notes to the Financial Statements*, we have disclosed:
  - a. Agreements that are entered into by the City, names and purposes of the tax abatement programs, specific taxes and total gross taxes abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement; and
  - b. Agreements that are entered into by other governments that affect the City's tax revenues, names of the other governments that are parties to the agreements, and specified taxes and total gross taxes abated.
78. 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

# Appendix C – Representations from Management

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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.

79. Revenues are recorded in the governmental funds when they are measurable and available, as defined in Note 1c to the ACFR.
80. The previous Airline Use and Lease Agreement was extended to legally continue through September 30, 2025, in the absence of a new executed lease agreement. The airlines then entered into a temporary bridge agreement covering the period from October 1, 2025 through December 31, 2025, in order to allow sufficient time for execution of the new agreement. The new Airline Use and Lease Agreement was fully executed and became effective on January 1, 2026, and will remain in effect through September 30, 2035, with two one-year extension options.

*Kimberly Olivares*

Kimberly Olivares, Financial Services Department Director

*Marija Norton*

Marija Norton, Controller

cc: Audit and Finance Committee of the City of Austin

# 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.

# Appendix E - 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, Schedule of Expenditures of Federal and State Awards, 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.

# Appendix E (continued) - 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.

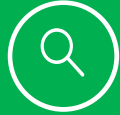
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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.

# Appendix E (continued) - 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 2025 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 2025.

# Appendix F: Upcoming GASB Pronouncements

The following GASB standards will be effective for the City for the year ending September 30, 2026.



## **GASB Statement No. 103, *Financial Reporting Model Improvements***

GASB 103 establishes new accounting and financial reporting requirements (or modifies existing requirements) related to the following:

- Management’s discussion and analysis
- Unusual or infrequent items
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends in the statistical section
- **Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position**
  - **Addition of “subsidy” categories within the operating statement**



## **GASB Statement No. 104, *Disclosure of Certain Capital Assets***

GASB 104 establishes certain capital assets and related depreciation/amortization to be displayed separately in the capital asset disclosures:

- Lease assets and subscription assets reported by major class of underlying asset
- Intangible assets (other than the 3 listed above) by major class of asset
- Definition and disclosure requirements for capital assets held for sale

# Appendix F (continued): Upcoming GASB Pronouncements

The following illustration from GASB 103 reflects the new format of the proprietary fund statement of revenues, expenses, and changes in fund net position.

	<u>Public Utility</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 41,003
Miscellaneous	<u>283</u>
Total operating revenues	<u>41,286</u>
<b>OPERATING EXPENSES</b>	
Personnel services	13,991
Contractual services	13,952
Insurance claims and expenses	-
Depreciation	11,767
Other	<u>1,067</u>
Total operating expenses	<u>40,777</u>
Operating income (loss)	<u>509</u>
<b>NONCAPITAL SUBSIDIES</b>	
Intergovernmental revenue	-
Transfers in	-
Transfers out	<u>(1,980)</u>
Total noncapital subsidies	<u>(1,980)</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>
<b>OTHER NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	1,498
Gain from the sale of capital assets	-
Interest expense	(1,910)
Capital contributions	2,938
Transfers in—restricted for capital assets	<u>1,032</u>
Total other nonoperating revenue (expenses)	<u>3,558</u>
Increase (decrease) in fund net position	2,085
Fund net position—beginning of period	<u>331,657</u>
Fund net position—end of period	<u>\$ 333,742</u>

GASB is still developing specific application guidance for noncapital subsidies; however, it will likely include:

- Interfund transfers
- Intergovernmental revenue
- Passenger facility charges



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