

# FORVIS

## Report to the Board of Trustees, Audit Committee, and Management

### Houston-Galveston Area Council

### Results of the 2022 Financial Statement Audit, Including Required Communications

Houston, Texas

Year End December 31, 2022

[forvis.com](https://forvis.com)

# Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

## Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"><li>• As of and for the year ended December 31, 2022</li><li>• Conducted in accordance with our contract dated September 9, 2022 and amended March 7, 2023</li></ul>
<b>Our Responsibilities</b>	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>

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Matter	Discussion
<b>Extent of Our Communication</b>	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
<b>Independence</b>	The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.
<b>Your Responsibilities</b>	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Trustees, Audit Committee, and Management</li> <li>• Others within the Entity</li> </ul>



## Government Audit Standards

Matter	Discussion
<b>Additional GAGAS Reporting</b>	We also provided reports as of December 31, 2022 on the following as required by GAGAS: <ul style="list-style-type: none"><li>• Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS</li></ul>
<b>Reporting Limitations</b>	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

## Uniform Guidance Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	We also provided reports as of December 31, 2022 on the following as required by U.S. Office of Management and Budget (OMB) Uniform Guidance and State of Texas Grant Management Standards (TxGMS): <ul style="list-style-type: none"><li>• Opinion on compliance for each major federal or state award program</li><li>• Report on internal control over compliance</li><li>• Schedule of Federal and State Awards</li></ul>



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**Audit Scope &  
Inherent  
Limitations to  
*Reasonable  
Assurance***

**A compliance audit performed in accordance with OMB Uniform Guidance and TxGMS is designed to obtain reasonable, rather than absolute, assurance about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement and TxGMS that could have a direct and material effect on a major federal or state award program occurred.**

## Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

### Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Implementation of GASB 87

### Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable.

### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.



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## **Management Judgments & Accounting Estimates**

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for uncollectible receivables

## **Financial Statement Disclosures**

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Commitments and contingencies

## **Our Judgment About the Quality of the Entity's Accounting Principles**

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable.



## Significant Accounting Policies & Alternative Treatments – Details

### **GASB 87, Leases**

Effective January 1, 2022 the Entity adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee’s statement of net position.

In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable is recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the Entity’s key performance indicators related to the statement of net position are likely not comparable to historical results.



## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

## Proposed & Recorded Adjustments

- No matters are reportable.

## Uncorrected Misstatements

- No uncorrected misstatements

## Other Required Communications

## Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachment)

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# Attachment

## Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

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