



To the Board of Directors and Management of
Central Texas Regional Advisory Council
Belton, Texas

In planning and performing our audit of the financial statements of Central Texas Regional Advisory Council ("Organization") for the year ended December 31, 2021, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 11, 2022, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Pattillo, Brown & Hill, L.L.P.

August 11, 2022

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston

NEW MEXICO | Albuquerque

CENTRAL TEXAS REGIONAL ADVISORY COUNCIL

COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2021

INTRODUCTION

Thank you for the opportunity to be of service to Central Texas Regional Advisory Council. We appreciate the many courtesies extended to us during the course of the audit. Realizing that we required a substantial amount of your time, we are thankful for your patience and effort.

GENERAL COMMENTS

CHANGES IN LEASE ACCOUNTING

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases Topic 842. ASU No. 2016-02 will apply to two types of leases—capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. However, the new standard requires that a lessee recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Leases with terms of less than 12 months are exempt from the new standard, if the company makes the accounting policy election.

The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease:

- For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability.
- For operating leases, lessees will recognize a single total lease expense calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

For both types of leases, lessees will recognize a right-of-use asset and a lease liability.

The standard should take effect for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after Dec. 15, 2022, as the FASB is currently drafting an ASU for this one year extension in effective dates due to Coronavirus Disease 2019 disruptions. Early application will still be permitted for all organizations.

PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS

ACCRUAL ENTRIES

Prior Year Comment:

During the audit, we proposed several journal entry adjustments to the financial statements such as walk forward of net assets, proper recording of revenue and unearned revenue and fixed asset adjustments. While we are more than willing to assist the Organization in ensuring accurate financial statements, numerous adjusting entries stemming from the audit may indicate that we are performing bookkeeping tasks, which as a result could impair our independence. It could also indicate a weak internal control structure from an external perspective. We recommend that management focus on making appropriate accrual entries prior to the audit and continue to focus on improving accounting processes.

Current Year Status:

We note the Organization improved their accrual accounting in the current year, but there were still various accounts booked on cash basis as of year-end. We recommend management continue to focus on adjusting grant revenue from cash basis to accrual basis moving forward.

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We appreciate the opportunity to be of service to **Central Texas Regional Advisory Council**. If you should have any questions or require further information, please do not hesitate to call.