

**Harris County
Redevelopment Authority
(a component unit of Harris
County, Texas)**

Report to the Board of Directors
February 20, 2025



11550 Fuqua, Ste. 475
Houston, TX 77034
281-481-1040 Main
hlb-cpa.com

February 20, 2025

Board of Directors
Harris County Redevelopment Authority
Houston, Texas

Attention: Directors

We are pleased to present this report related to our audit of the basic financial statements of the Harris County Redevelopment Authority (the "Authority"), a component unit of Harris County, Texas as of and for the year ended September 30, 2024. Our report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

A handwritten signature in dark ink that reads 'Ham, Langston & Brezina, LLP'.

Ham, Langston & Brezina, L.L.P.

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REQUIRED COMMUNICATIONS

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities

We describe our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States to you in our engagement letter dated September 3, 2024. Our audit of the basic financial statements does not relieve management or you of your responsibilities, which are also described in that letter.

Planned Scope and Timing of the Audit

We have previously issued a separate communication dated December 4, 2024 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

On August 29, 2024, the Authority, through its 95% ownership interest subsidiary Upland GP, entered into a partnership agreement with Upland Housing Development, LP (the "Upland Partnership") and serves as the general partner. The Authority also, through its wholly owned subsidiary Upland Landowner leases a land to the Upland Partnership to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Upland Project").

During the year ended September 30, 2024, the Authority was awarded and entered into a federal grant agreement for \$3,484,800 as a subrecipient to fund the Upland Project and the proceed was funded and used to acquire the land to lease to the Upland Partnership. The Partnership paid the upfront rent of \$925,430 to HCHFC as the Authority is the subrecipient of HCHFC's ARPA grant. As of September 30, 2024, the Authority has recorded lease receivable, due from HCHFC, and corresponding deferred lease revenue of \$464,741, \$925,430, and \$1,376,129, respectively, in the statement of net position – governmental activities.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in Note 2 of the basic financial statements.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Authority are shown below.

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expense
To adjust lease receivable and related revenues for the year	\$ -	\$ 11,642	\$ -	\$ (11,642)	\$ -
Totals					
Total adjustments	<u>\$ -</u>	<u>\$ 11,642</u>		<u>\$ (11,642)</u>	

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Matters That Required Consultation

We did not encounter any difficult or contentious matters that required consultation outside the engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants ("AICPA") and *Government Accountability Office* ("GAO") independence rules. For Ham, Langston, & Brezina L.L.P. ("HL&B") to fulfill its professional responsibility to maintain and monitor independence, management, the board of directors, and HL&B each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. HL&B is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Authority's Responsibilities

- Timely inform HL&B, before the effective date of transactions or other business changes, of the following:
 - New affiliates, components, directors, officers, or person in financial reporting oversight roles.
 - Changes in the organizational structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate or component unit information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate, component unit or major fund determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with HL&B.
- Not entering into arrangements of nonaudit services resulting in HL&B being involved in making management decisions on behalf of the Authority.
- Not entering into relationships resulting in close family members of HL&B covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Authority.

Internal Control and Compliance Matters

In planning and performing our audit of the basic financial statements of the Authority as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America ("US GAAS"), the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and to report on internal over compliance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, we did not identify any deficiencies in internal control during our audit that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

APPENDIX A

Significant Written Communications Between Management and Our Firm



HARRIS COUNTY REDEVELOPMENT AUTHORITY

HARRIS COUNTY HOUSING & COMMUNITY DEVELOPMENT

February 20, 2025

Harris County Redevelopment Authority
8410 Lantern Point Dr.
Houston, Texas 77054

This representation letter is provided in connection with your audit of the basic financial statements of the Harris County Redevelopment Authority (the "Authority"), a component of Harris County, Texas, as of and for the year ended September 30, 2024 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 3, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. All disclosures related to estimates, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimate and related disclosures included in the financial statements.
6. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Authority include:
 - a. Those with Harris County, Texas having accountability for the Authority.
 - b. Those with component units for which the Authority is accountable.
 - c. Those with other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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- d. Those with Reinvestment Zone No. 24, City of Houston, Texas for which the Authority administers.
 - e. Those with jointly governed organizations in which the Authority participates.
 - f. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
7. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
 8. The Authority followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
 9. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
 10. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
 11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 12. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
 13. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
 14. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
 15. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
 16. 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.
 17. 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.
 18. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 19. The Authority'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 appropriately disclosed and that net position is properly recognized under the policy.

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20. The government disclosed the names of entities with which it has a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77, *Tax Abatement Disclosures*.
21. The government disclosed tax abatements entered into by other governments that affect its revenues, including the names of the governments that entered into the agreements, the specified taxes being abated, and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.
22. In the audit engagement letter amendment dated January 29, 2025, we requested that you to assist in drafting the financial statements and related footnote disclosure. With respect to this service:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.
23. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
24. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.
25. We have no knowledge of any uncorrected misstatements in the financial statements.
26. We have complied with all applicable reporting requirements, including requirements for when the financial statements must be made readily available, or obtained approval or other waiver for any events of noncompliance.
27. We have requested an unsecured electronic copy of the auditor's report and basic financial statements and agree that the auditor's report and basic financial statements will not be modified in any manner.

Information Provided

28. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
29. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

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30. Budgetary information provided represents the final budget authorized by the Board of Directors for the year ended September 30, 2025 and 2024.
31. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
32. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
33. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's basic financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the basic financial statements.
34. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
35. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
36. We are not aware of any pending or threatened litigation, claims or assessments; unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50, Claims and Judgments; and other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements. Neither we nor the Authority or others acting on behalf of the Authority have consulted a lawyer concerning litigation, claims, assessments or other matters affecting the Authority.
37. We have disclosed to you the identity of all of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
38. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.
39. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
40. It is our responsibility to inform you of all current and potential affiliates of the Authority as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of the Authority may create threats to independence. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.

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- b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to the Authority's financial statements as a whole, (ii) the level of influence the Authority has over an entity's financial reporting process or (iii) the level of control or influence the Authority or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the Authority and Ham, Langston, & Brezina, L.L.P ("HL&B") to identify and eliminate potential impermissible services and relationships between HL&B and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Authority or any of our affiliates has engaged HL&B to perform.
41. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
42. The Authority did not issue any debt instruments as of September 30, 2024, or subsequent to September 30, 2024 through February 20, 2025.

Supplementary Information

43. With respect to Management's Discussion and Analysis, the Summary Budgetary Comparison Schedule and the Notes to the Summary Budgetary Comparison Schedule, presented as required by GASB to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

- 44. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 45. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
- 46. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- 47. Is responsible for 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.

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- 48. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
- 49. Has a process to track the status of audit findings and recommendations.
- 50. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

- 51. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
- 52. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
- 53. Management is responsible for the design, implementation, and maintenance, and has designed, implemented and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.
- 54. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.
- 55. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
- 56. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- 57. Management has made available all federal 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.
- 58. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.
- 59. Management believes that the auditee has complied with the direct and material compliance requirements.

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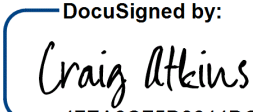
60. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
61. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
62. Management is aware of no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
63. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
64. Management is responsible for taking corrective action on audit findings of the compliance audit that meets the requirements of the Uniform Guidance.
65. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
66. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
67. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the entity's system of internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
68. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
69. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
70. Management has monitored subrecipients, as necessary, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
71. Management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
72. Management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records]
73. Management has charged costs to federal awards in accordance with applicable cost principles.

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- 74. The reporting package does not contain protected personally identifiable information.
- 75. Management has accurately completed the appropriate sections of the data collection form.
- 76. Management has disclosed all contracts or other agreements with service organizations.
- 77. Management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Harris County Redevelopment Authority

DocuSigned by:

A blue ink handwritten signature of Craig Atkins, written in a cursive style.

47EA6CF5D8644DC...

Craig Atkins,
Harris County Community Services Department
Financial Services Director and Chief Financial Officer