April 4, 2018

#109904
2-AR17-R01/10/2018

Mrs. Vicki Adams, Superintendent
Hillsboro Independent School District
121 East Franklin Street
Hillsboro, Texas 76645-2137

Dear Mrs. Adams:

The Financial Compliance Division at the Texas Education Agency (TEA) has reviewed the Hillsboro Independent School District's annual financial and compliance report (AFR) for the year ended August 31, 2017. As a result of our review we have prepared the following comments for you and your school district's board of trustees to review:

Independent Auditor's Comments

The auditor indicated the following finding in the schedule of findings and questioned costs. To view a copy of the district's AFR, including this schedule, refer to the TEA website located at
http://tea4avwaylon.tea.state.tx.us/audit/PDFviewer.asp

- 2017-001: Material Noncompliance: The district did not have adequate security over depository funds at all times during the year.

In the management letter, your district's auditor commented that:

1. Compliance Requirements-Depository Insurance and Securities Pledged: The district should increase the securities pledged by the depository by at least $1,000,000 to cover cash balances during the current year. The cash balances from February through April are typically larger for the district and require additional securities pledged or bonding. Review by the depository is typically after the fact and leaves the district under secured for a short period of time. The additional pledges will help eliminate future shortages.

2. Expenditures Over Appropriation: The district incurred an immaterial excess of expenditures over appropriations in the food service function of the child nutrition special revenue fund due to allowable additional expenditures for the food service operation that were included but not budgeted.

3. Excess Child Nutrition Fund Cash Balance: The district should consider purchasing administration suggested equipment upgrades needed in the Child Nutrition fund as well as consider continuing to record direct overhead costs such as utilities, etc., in order to report all costs applicable to the Child Nutrition Program. The computation of the excess cash balance in the Child Nutrition fund as of August 31, 2017, was $26,742. This amount is not material to the district and therefore, has not been included as a finding; however, the excess cash began

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during the previous year and should continue to be addressed during the 2017-2018 fiscal year to eliminate excess cash.

A copy of management letter comments #2 and #3 is being sent to the Food and Nutrition Division at the Texas Department of Agriculture for follow-up. That division will notify the district if further action is necessary for this comment.

Financial Compliance Division Comment

- We note that your district reported a deficit $39,742 unrestricted net position on the statement of net position (Exhibit A-1, page 17). We will monitor future AFRs to evaluate the district's financial situation and progress in reducing this deficit.

Although your district's AFR and records and the working papers of the auditor remain subject to review by appropriate state and federal agency auditors and TEA program administrators, we consider the review of the AFR closed. If there is a need for subsequent review or additional audits, we will notify you.

We thank you and your auditor for your diligence and cooperation in the completion of the AFR. If you need additional information, please contact Gayle Escobedo at iona.escobedo@tea.texas.gov or (512) 475-2372.

Sincerely,

Paul Moreno
Manager of Financial Desk Reviews
Financial Compliance Division

PM/ge

cc: Dr. Christopher W. Teague, Board President, Hillsboro Independent School District
      Mr. Dale Snyder, Chief Financial Officer, Hillsboro Independent School District
      James E. Rodgers & Company
      Food and Nutrition, Texas Department of Agriculture