

ENGAGEMENT LETTER

President and Members of the Board
Huckabay Independent School District
200 County Road 421
Stephenville, Texas 76401

President and Members of the Board,

You have requested that I audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huckabay Independent School District (the "District") for the three one-year periods ending August 31, 2022, 2023 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. I am pleased to confirm my acceptance and my understanding of this audit engagement by means of this letter. My audits will be conducted with the objectives of my expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, 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. As part of my engagement, I will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation and comparing the information for consistency with management's responses to my inquiries. I will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Budgetary Comparison Schedule for General Fund
- Pension Plan Schedules
- OPEB Plan Schedules

Supplementary information other than RSI will accompany the District's basic financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. I intend to provide an opinion on the following supplementary

information in relation to the financial statements as a whole:

- Combining Nonmajor Governmental Fund Financial Statements.
- Combining Nonmajor Special Revenue Fund Financial Statements.
- TEA Required Schedules.

Audit of the Financial Statements

I will conduct my audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the Texas Education Agency's *Financial Accountability System Resource Guide* (Resource Guide). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, my procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of my audit process, I will request written representations from your attorneys, and they may bill you for responding. At the conclusion of my audit, I will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and the Texas Education Agency's *Financial Accountability System Resource Guide* (Resource Guide). Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

In making my risk assessments, I consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, I will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that I have identified during the audit. My responsibility as auditor is limited to the period covered by my audit and does not extend to any other periods.

I will issue a written report upon completion of my audit of the District's basic financial statements. My report will be addressed to the governing body of the District. I cannot provide assurance that any unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify my opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, I will also issue a written report describing the scope of my testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Management Responsibilities

My audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For the design, implementation, and maintenance of internal control over federal awards;
6. For establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the District is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
7. For identifying and ensuring that the District complies with federal statutes, regulations, and the terms and conditions of federal award programs and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
8. For disclosing accurately, currently, and completely, the financial results of each federal award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;

11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that I may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the District from whom I determine it necessary to obtain audit evidence;
 - d. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole;
16. For acceptance of non-attest services, including identifying the proper party to oversee non-attest work;
17. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
18. For informing us of any known or suspected fraud affecting the District involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
19. For the accuracy and completeness of all information provided;
20. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
21. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With respect to any non-attest services I perform, I agree to perform the following:

- Assist in preparing the financial statements and related notes in conformity with U.S. generally accepted accounting principles based on information provided by you.
- Preparation and submission of Texas Education Agency's audit data feed.
- Perform certain procedures for the purpose of reviewing the accuracy of fiscal information provided by the District through the Public Education Information Management System (PEIMS), as required by Section 44.008(b) of the Texas Education Code.
- Maintenance of the depreciation schedule.
- Maintenance of long-term debt schedule.

- Assist with entries to adjust property tax accruals and record the 60-day collection, record the final state and federal revenue adjustments, assist with ending accounts payable accruals, reclassify negative cash balances, assist with and adjust for on-behalf revenue accruals, record various reclassifications for TEA reporting, and preparation of entries in accordance with GASB 34, 68, and 75.

The District's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include my report on the supplementary information in any document that contains the supplementary information and that indicates that I have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and my report thereon.

The District will be responsible for ensuring that the audit report is received by the Texas Education Agency by the 150-day deadline. The District is further responsible for ensuring that other appropriate governmental agencies receive copies of the audit report according to instructions in the Texas Education Agency *Financial Accountability System Resource Guide*.

As part of my audit process, I will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

I understand that your employees will prepare all confirmations I request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to my firm, you agree to provide us with printers' proofs or masters for my review and approval before printing. You also agree to provide us with a copy of the final reproduced material for my approval before it is distributed.

Fees and Timing

I will schedule in advance out timing for preliminary and final audit fieldwork procedures and work with you for dates that are convenient for you.

My fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices are payable upon presentation. I estimate that my fees for the audits will be as follows:

	2022	2023	2024
Annual financial audit	\$ 14,500	\$ 14,500	\$ 15,000
Additional fee for GASB 87	1,000	1,000	1,000
Additional fee for GASB 95	0	1,000	1,000
Total annual fee	\$ 15,500	\$ 16,500	\$ 17,000

I will notify you immediately of any circumstances I encounter that could significantly affect this initial fee estimate. Whenever possible, I will attempt to use the District's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce my time requirements and facilitate the timely conclusion of the audit. I will also be available during the year to consult with you on financial management and accounting matters of a routine nature.

In addition, I will be compensated for any time and expenses, including time and expenses of legal counsel, I may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of my Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena I am asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should my relationship terminate before my audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

Other Matters

During the course of the engagement, I may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of Cameron L. Gulley, CPA and constitutes confidential information. However, I may be requested to make certain audit documentation available to the U.S. Department of Education, the Texas Education Agency, federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Cameron L. Gulley, CPA's personnel. Furthermore, upon request, I may provide copies of selected audit documentation to the U.S. Department of Education, the Texas Education Agency, federal agencies and the U.S. Government Accountability Office. The U.S. Department of Education, the Texas Education Agency, federal agencies and the U.S. Government Accountability Office may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. I agree to retain my audit documentation or work papers for a period of at least eight years from the date of my report.

Further, I will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, I may observe opportunities for economy in, or improved controls over, your operations. I will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, I am not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of my audit engagement, I will communicate to the Board of Trustees the following significant findings from the audit:

- My view about the qualitative aspects of the District's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those I believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in my professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of my audit procedures;
- Representations I requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

Government Auditing Standards require that I provide, upon request, a copy of my most recent external peer review report and any subsequent review reports to the party contracting for the audit. Accordingly, I will provide a copy of my most recent peer review report at your request.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for my audit of the financial statements including our respective responsibilities.

Respectfully,

Cameron L. Gulley

Cameron L. Gulley
Certified Public Accountant

October 20, 2021

Approved:

The foregoing fully describes our understanding of the services to be provided to the **Huckabay Independent School District** by ---- **Cameron L. Gulley, CPA**, P.O. Box 163, Eastland, Texas 76448.

Date

President of the Board
Huckabay Independent School District