

***ANNUAL FINANCIAL REPORT***

**of the**

**HITCHCOCK  
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended  
August 31, 2013**

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
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## ***INTRODUCTORY SECTION***

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## CERTIFICATE OF BOARD

**Hitchcock**

**Independent School District**

Name of School District

**Galveston**

County

**084908**

Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the 4<sup>th</sup> day of February, 2014.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

(attach list as necessary)

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## ***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Trustees of the  
Hitchcock Independent School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hitchcock Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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. Accordingly, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2013, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, identified as Required Supplementary Information on the table of contents, 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. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and schedules labeled "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on January 28, 2014, our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**BELT HARRIS PECHACEK, LLP**

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# **HITCHCOCK**

## **INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended August 31, 2013**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Hitchcock Independent School District (the "District") for the year ending August 31, 2013. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at year end was \$10,186,491.
- For the fiscal year ended August 31, 2013, the District's general fund reported a total fund balance of \$4,693,997, of which \$80,258 is nonspendable for inventories and prepaid items and \$3,654,119 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$6,039,690.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds,

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2013**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

*Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2013**

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$10,186,491 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2013. The District reported an increase of \$1,304,189 in net position from the prior year. A reduction in instruction expenses is the main contributor to the increase in net position.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2013

**Table 1**  
**Net Position**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
Current assets	\$ 8,375,721	\$ 14,729,271	\$ (6,353,550)
Capital assets	37,891,093	39,020,776	(1,129,683)
<b>Total Assets</b>	<b>46,266,814</b>	<b>53,750,047</b>	<b>(7,483,233)</b>
Deferred charge on refunding	39,658	267,358	(227,700)
<b>Total Deferred Outflows of Resources</b>	<b>39,658</b>	<b>267,358</b>	<b>(227,700)</b>
Current liabilities	1,602,688	9,204,276	(7,601,588)
Long-term liabilities	34,517,293	35,930,827	(1,413,534)
<b>Total Liabilities</b>	<b>36,119,981</b>	<b>45,135,103</b>	<b>(9,015,122)</b>
<b>Net Position:</b>			
Net investment in capital assets	3,373,800	2,809,884	563,916
Restricted	2,305,313	1,206,983	1,098,330
Unrestricted	4,507,378	4,865,435	(358,057)
<b>Total Net Position</b>	<b>\$ 10,186,491</b>	<b>\$ 8,882,302</b>	<b>\$ 1,304,189</b>

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2013

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Total Change 2013-2012
	2013	2012	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 85,556	\$ 95,886	\$ (10,330)
Operating grants and contributions	5,139,649	4,802,476	337,173
General revenues:			
Property taxes	7,382,002	7,039,230	342,772
State aid - formula grants	4,343,866	4,957,478	(613,612)
Grants and contributions not restricted	761,160	2,140,476	(1,379,316)
Investment earnings	51,839	58,249	(6,410)
Miscellaneous	1,065,480	452,599	612,881
<b>Total Revenue</b>	<b>19,789,172</b>	<b>19,546,394</b>	<b>(716,842)</b>
<b>Expenses</b>			
Instruction	7,863,249	10,092,602	(2,229,353)
Instructional resources and media services	140,167	148,690	(8,523)
Curriculum and staff development	424,498	449,864	(25,366)
Instructional leadership	224,763	306,799	(82,036)
School leadership	1,056,995	1,089,239	(32,244)
Guidance, counseling and evaluation services	938,719	947,298	(8,579)
Social work services	94,011	93,581	430
Social work/health services	209,788	208,432	1,356
Student (pupil) transportation	672,511	640,492	32,019
Food services	865,366	810,915	54,451
Co-curricular/extracurricular activities	414,806	467,141	(52,335)
General administration	708,235	760,266	(52,031)
Plant maintenance and operations	1,596,504	1,501,338	95,166
Security and monitoring	100,341	88,351	11,990
Data processing services	253,932	258,192	(4,260)
Community services	30,998	125,055	(94,057)
Interest on long-term debt	1,283,963	1,245,686	38,277
Capital outlay	322,605	-	322,605
Payments related to shared service arrangements	1,225,370	1,163,540	61,830
Payments to juvenile justice programs	1,630	1,770	(140)
Other intergovernmental charges	56,532	48,138	8,394
<b>Total Expenses</b>	<b>18,484,983</b>	<b>20,447,389</b>	<b>(1,962,406)</b>
<b>Change in Net Position</b>	<b>1,304,189</b>	<b>(900,995)</b>	<b>1,245,564</b>
<b>Beginning net position</b>	<b>8,882,302</b>	<b>9,783,297</b>	<b>(900,995)</b>
<b>Ending Net Position</b>	<b>\$ 10,186,491</b>	<b>\$ 8,882,302</b>	<b>\$ 344,569</b>

Revenues from governmental activities total \$19,789,172, which is a decrease of \$716,842 from the 2012 fiscal year and is mainly due to a decrease in operating grants and operations, state-aid – formula grants, and grants and contributions not restricted. Property tax revenue is the District's largest source of revenue, which totaled \$7,382,002 for the year. This represents an increase of \$342,772 compared to the previous year.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2013**

Expenses for governmental activities totaled \$18,484,983 which was a decrease of \$1,962,406 and is mainly due to less instructional expenses that are associated with federal and state grants.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ended August 31, 2013, the District's governmental funds reported a combined fund balance of \$6,039,690. The combined fund balance increased \$1,049,636 from prior year. At the close of the fiscal year ended August 31, 2013, the District's fund balance in the general fund increased due to an increase in state foundation revenue and insurance proceeds from storm damage. The debt service fund decreased slightly due to property tax revenue being comparative to debt service payments. The capital projects fund decreased significantly due to construction of a new high school with funding that was restricted for capital projects.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The general fund's budgeted revenues exceeded actual revenues by \$1,264,213 due to decreases in property tax revenue, foundation revenue, and federal revenue. Budgeted expenditures exceeded actual expenditures by \$1,511,118 mainly due to a decrease in plant maintenance and operations.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board of Trustees. During the year, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At year end, the District had a total of \$37,891,093 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This total includes \$191,324 invested during the fiscal year ended August 31, 2013.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

At year end, the District had \$34,324,612 in general obligation bonds, notes, and other payables outstanding versus \$35,763,890 last year. The net decrease of \$1,439,278 is due to the principal payments paid during the year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2013-2014 school year total \$11,648,540 and the District's Board of Trustees adopted a maintenance and operations tax rate of \$1.04 and an interest and sinking rate of \$.50 for a combined rate of \$1.54.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended August 31, 2013**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 8117 Highway 6, Hitchcock, Texas, 77563.

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## ***BASIC FINANCIAL STATEMENTS***

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2013

1

Data Control Codes		Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 5,798,824
1220	Property taxes - delinquent	1,103,126
1230	Allowance for uncollectible taxes	(369,783)
1240	Due from other governments	1,710,918
1290	Other receivables	37,383
1300	Inventories, at cost	54,919
1410	Prepaid items	25,339
		<u>8,375,721</u>
	Capital assets:	
1510	Land	1,674,919
1520	Buildings, net	35,515,324
1530	Furniture and equipment, net	274,521
1540	Vehicles, net	426,329
		<u>37,891,093</u>
1000	Total Assets	<u>46,266,814</u>
	<u>Deferred Outflows of Resources</u>	
1600	Deferred charge on refunding	<u>39,658</u>
	<u>Liabilities</u>	
2110	Accounts payable	24,516
2160	Accrued wages payable	270,021
2180	Due to other governments	1,269,931
2200	Accrued expenses	38,220
		<u>1,602,688</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	1,503,514
2502	Long-term liabilities due in more	
2502	than one year	33,013,779
		<u>34,517,293</u>
2000	Total Liabilities	<u>36,119,981</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	3,373,800
	Restricted for:	
3850	Debt service	1,212,810
3890	Other purposes	1,092,503
3900	Unrestricted	4,507,378
3000	Total Net Position	<u>\$ 10,186,491</u>

See Notes to Financial Statements.

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	<b>Primary Government</b>				
	<b>Governmental Activities</b>				
0011	Instruction	\$ 7,863,249	\$ -	\$ 1,675,273	\$ (6,187,976)
0012	Instructional resources				
0012	and media services	140,167	-	35,657	(104,510)
0013	Curriculum/instructional				
0013	staff development	424,498	-	187,952	(236,546)
0021	Instructional leadership	224,763	-	224,763	-
0023	School leadership	1,056,995	-	464,214	(592,781)
0031	Guidance, counseling,				
0031	and evaluation services	938,719	-	548,603	(390,116)
0032	Social work services	94,011	-	94,011	-
0033	Health services	209,788	-	54,977	(154,811)
0034	Student (pupil) transportation	672,511	-	163,497	(509,014)
0035	Food services	865,366	85,556	752,485	(27,325)
0036	Extracurricular activities	414,806	-	1,130	(413,676)
0041	General administration	708,235	-	8,744	(699,491)
0051	Plant maintenance and operations	1,596,504	-	131,677	(1,464,827)
0052	Security and monitoring services	100,341	-	3,575	(96,766)
0053	Data processing services	253,932	-	3,811	(250,121)
0061	Community services	30,998	-	26,282	(4,716)
0072	Interest - long term debt	1,283,963	-	-	(1,283,963)
0081	Capital outlay	322,605	-	-	(322,605)
0093	Payments to fiscal agent/member				
0093	districts of SSA	1,225,370	-	762,998	(462,372)
0095	Payments to juvenile justice	1,630	-	-	(1,630)
0099	Other intergovernmental charges	56,532	-	-	(56,532)
	<b>Total Governmental Activities</b>	<b>\$ 18,484,983</b>	<b>\$ 85,556</b>	<b>\$ 5,139,649</b>	<b>(13,259,778)</b>
TP	<b>Total Primary Government</b>	<b>\$ 18,484,983</b>	<b>\$ 85,556</b>	<b>\$ 5,139,649</b>	<b>(13,259,778)</b>
	<b>General Revenues</b>				
MT	Property taxes, levied for general purposes				5,119,141
DT	Property taxes, levied for debt service				2,262,861
SF	State aid - formula grants				4,343,866
GC	Grants and contributions not restricted				761,160
IE	Investment earnings				51,839
MI	Miscellaneous local and intermediate revenue				1,065,480
E1	Extraordinary items				959,620
TR					
CN					
NB					
NE					
				<b>Total General Revenues</b>	<b>14,563,967</b>
				<b>Change in Net Position</b>	<b>1,304,189</b>
	<b>Beginning net position</b>				<b>8,882,302</b>
				<b>Ending Net Position</b>	<b>\$ 10,186,491</b>

See Notes to Financial Statements.

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### BALANCE SHEET

#### GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2013

Data Control Codes		10	Special Education Cooperative	50	60
		General		Debt Service	Capital Projects
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 3,429,048	1,153,020	\$ 975,846	\$ 87,772
1220	Property taxes - delinquent	819,207	-	283,919	-
1230	Allowance for uncollectible taxes	(297,410)	-	(72,373)	-
1240	Due from other governments	24,871	518,020	-	314,036
1260	Due from other funds	2,027,170	-	236,964	-
1290	Other receivables	37,383	-	-	-
1300	Inventories, at cost	54,919	-	-	-
1410	Prepaid items	25,339	-	-	-
1000	Total Assets	<u>\$ 6,120,527</u>	<u>\$ 1,671,040</u>	<u>\$ 1,424,356</u>	<u>\$ 401,808</u>
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ 125	-	\$ -	\$ -
2160	Accrued wages payable	226,079	11,312	-	-
2170	Due to other funds	236,964	798,504	-	401,808
2180	Due to other governments	409,237	860,694	-	-
2200	Accrued expenses	32,328	530	-	-
2000	Total Liabilities	<u>904,733</u>	<u>1,671,040</u>	<u>-</u>	<u>401,808</u>
	<b><u>Deferred Inflows of Resources</u></b>				
2600	Unavailable revenue - property taxes	521,797	-	211,546	-
	<b><u>Fund Balances</u></b>				
	Non-spendable				
3410	Inventories	54,919	-	-	-
3430	Prepaid items	25,339	-	-	-
	Restricted				
3450	Grant funds	-	-	-	-
3470	Construction	959,620	-	-	-
3480	Debt service	-	-	1,212,810	-
3600	Unassigned	3,654,119	-	-	-
3000	Total Fund Balances	<u>4,693,997</u>	<u>-</u>	<u>1,212,810</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,120,527</u>	<u>\$ 1,671,040</u>	<u>\$ 1,424,356</u>	<u>\$ 401,808</u>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>98 Total Governmental Funds</b>
\$ 153,138	\$ 5,798,824
-	1,103,126
-	(369,783)
853,991	1,710,918
-	2,264,134
-	37,383
-	54,919
-	25,339
<u>\$ 1,022,124</u>	<u>\$ 10,639,855</u>
\$ 24,391	\$ 24,516
32,630	270,021
826,858	2,264,134
-	1,269,931
5,362	38,220
<u>889,241</u>	<u>3,866,822</u>
-	<u>733,343</u>
-	54,919
-	25,339
132,883	132,883
-	959,620
-	1,212,810
-	3,654,119
<u>132,883</u>	<u>6,039,690</u>
<u>\$ 1,022,124</u>	<u>\$ 10,639,855</u>

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**RECONCILLATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R**  
**August 31, 2013**

Total fund balances for governmental funds	\$	6,039,690
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	1,674,919	
Capital assets - depreciable	<u>36,216,174</u>	
		37,891,093

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

733,343

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Deferred charge on refunding	39,658	
Non-current liabilities due in one year	(1,503,514)	
Non-current liabilities due in more than one year	<u>(33,013,779)</u>	
		<u>(34,477,635)</u>

**Net Position of Governmental Activities**

**\$ 10,186,491**

See Notes to Financial Statements.

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended August 31, 2013

Data Control Codes		Special			
		General	Education Cooperative	Debt Service	Capital Projects
	<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 5,704,188	\$ 7,664	\$ 2,505,447	\$ 5,113
5800	State program revenues	4,754,230	399,544	-	-
5900	Federal program revenues	173,705	131,106	273,419	314,036
5020	<b>Total Revenues</b>	<b>10,632,123</b>	<b>538,314</b>	<b>2,778,866</b>	<b>319,149</b>
	<b>Expenditures</b>				
0011	Instruction	4,988,308	167,646	-	-
0012	Instruction resources and media services	140,167	-	-	-
0013	Curriculum/instructional staff development	236,546	1,425	-	-
0021	Instructional leadership	-	224,763	-	-
0023	School leadership	824,888	-	-	-
0031	Guidance, counseling, evaluation services	390,116	143,470	-	-
0032	Social work services	-	-	-	-
0033	Health services	154,811	-	-	-
0034	Student (pupil) transportation	477,443	-	-	-
0035	Food services	17,617	-	-	-
0036	Extracurricular activities	385,025	-	-	-
0041	General administration	697,011	1,010	-	-
0051	Plant maintenance and operations	1,414,492	-	-	-
0052	Security and monitoring services	96,766	-	-	-
0053	Data processing services	250,121	-	-	-
0061	Community services	4,136	-	-	-
	<b>Debt service:</b>				
0071	Principal	81,458	-	1,357,820	-
0072	Interest and fiscal charges	1,378	-	1,353,334	-
0081	<b>Capital outlay</b>	-	-	-	322,605
	<b>Intergovernmental:</b>				
0093	Payments to member districts of SSA	462,372	-	-	-
0095	Payments to juvenile justice programs	1,630	-	-	-
0099	Other intergovernmental charges	56,532	-	-	-
6030	<b>Total Expenditures</b>	<b>10,680,817</b>	<b>538,314</b>	<b>2,711,154</b>	<b>322,605</b>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<b>(48,694)</b>	<b>-</b>	<b>67,712</b>	<b>(3,456)</b>
	<b>Other Financing Sources (Uses)</b>				
7919	Extraordinary items	959,620	-	-	-
7080	<b>Total Other Financing Sources</b>	<b>959,620</b>	<b>-</b>	<b>-</b>	<b>-</b>
1200	<b>Net Change in Fund Balances</b>	<b>910,926</b>	<b>-</b>	<b>67,712</b>	<b>(3,456)</b>
0100	<b>Beginning fund balances</b>	<b>3,783,071</b>	<b>-</b>	<b>1,145,098</b>	<b>3,456</b>
3000	<b>Ending Fund Balances</b>	<b>\$ 4,693,997</b>	<b>\$ -</b>	<b>\$ 1,212,810</b>	<b>\$ -</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 85,556	\$ 8,307,968
198,481	5,352,255
4,402,854	5,295,120
<u>4,686,891</u>	<u>18,955,343</u>
1,665,280	6,821,234
35,657	175,824
186,527	424,498
-	224,763
232,107	1,056,995
405,133	938,719
94,011	94,011
54,977	209,788
163,497	640,940
838,041	855,658
1,130	386,155
7,734	705,755
131,677	1,546,169
3,575	100,341
3,811	253,932
26,282	30,418
-	1,439,278
-	1,354,712
-	322,605
762,998	1,225,370
-	1,630
-	56,532
<u>4,612,437</u>	<u>18,865,327</u>
<u>74,454</u>	<u>90,016</u>
-	959,620
-	959,620
74,454	1,049,636
58,429	4,990,054
<u>\$ 132,883</u>	<u>\$ 6,039,690</u>

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - EXHIBIT C-3**

For the Year Ended August 31, 2013

Net changes in fund balances - total governmental funds	\$ 1,049,636
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(1,321,007)
Capital outlay	191,324

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(125,791)
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	1,439,278
Amortization of other items	26,621
Accrued interest	44,128

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,304,189</b>
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See Notes to Financial Statements.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - EXHIBIT E-1**

August 31, 2013

Data Control Codes		<u>Agency</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 57,236
1000		<u>Total Assets</u> \$ 57,236
	<u>Liabilities</u>	
	Current liabilities:	
2190	Due to student groups	\$ 57,236
2000		<u>Total Liabilities</u> \$ 57,236

See Notes to Financial Statements.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended August 31, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Hitchcock Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by the statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2013

The District reports the following governmental funds:

**General Fund**

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Capital Projects Funds**

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund. The special education cooperative is considered a major fund for reporting purposes.

Additionally, the District reports the following fund type:

**Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

**Agency Funds**

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2013**

eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2013**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Deposits and Investments**

In accordance with GASB Statement No. 31, "*Accounting and Reporting for Certain Investments and External Investment Pools*," the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government  
Fully collateralized certificates of deposit and money market accounts  
Statewide investment pools and commercial paper

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) and are recognized as expenditures when utilized.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 40 years
Vehicles	10 years
Equipment	8 to 20 years

#### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### 6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

#### 7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2013**

flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**8. Fund Balance Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**10. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2013**

**11. Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of year end, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

At August 31, 2013, the District's investments are rated as to credit quality as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	<u>Credit Rating</u>
Lone Star	N/A	\$ 299,637	AAA
TexSTAR	N/A	11,958	AAAm
Texas CLASS	N/A	1,123,370	AAAf
		<u>\$ 1,434,965</u>	

#### B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 1,674,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,674,919</u>
Total capital assets not being depreciated	<u>1,674,919</u>	<u>-</u>	<u>-</u>	<u>1,674,919</u>
Other capital assets:				
Buildings and improvements	48,667,683	-	-	48,667,683
Furniture and equipment	590,377	88,569	-	678,946
Vehicles	1,524,404	102,755	-	1,627,159
Total other capital assets	<u>50,782,464</u>	<u>191,324</u>	<u>-</u>	<u>50,973,788</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,008,389)	(1,143,970)	-	(13,152,359)
Furniture and equipment	(336,506)	(67,919)	-	(404,425)
Vehicles	(1,091,712)	(109,118)	-	(1,200,830)
Total accumulated depreciation	<u>(13,436,607)</u>	<u>(1,321,007)</u>	<u>-</u>	<u>(14,757,614)</u>
Other capital assets, net	<u>37,345,857</u>	<u>(1,129,683)</u>	<u>-</u>	<u>36,216,174</u>
<b>Governmental Activities</b>				
Capital Assets, Net	<u>\$ 39,020,776</u>	<u>\$ (1,129,683)</u>	<u>\$ -</u>	<u>\$ 37,891,093</u>

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ 1,094,927
34	Student (pupil) transportation	118,201
35	Food service	9,708
36	Co-curricular/extracurricular activities	28,651
41	General administration	2,480
51	Plant maintenance and operations	66,460
61	Community services	580
Total Depreciation Expense		<u>\$ 1,321,007</u>

### C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>						
Bonds, notes and other payables:						
Series 2008-3.25% to 5.25%	\$ 23,855,000	\$ 20,285,000	\$ -	\$ (380,000)	\$ 19,905,000	\$ 450,000
Series 2005 QZAB Notes - 0%	1,221,872	651,664	-	(81,458)	570,206	81,458
Series 2010-3.85%	500,000	445,000	-	(25,000)	420,000	30,000
Series 2011-5.33%	5,400,000	5,375,000	-	(25,000)	5,350,000	25,000
Series 2011A-0.71% to 5.45%	6,626,208	6,462,226	-	(107,820)	6,354,406	67,056
Series 2012-4.23%	2,545,000	2,545,000	-	(820,000)	1,725,000	850,000
	<u>40,148,080</u>	<u>35,763,890</u>	<u>-</u>	<u>(1,439,278)</u>	<u>34,324,612</u>	<u>\$ 1,503,514</u>
<b>Other Liabilities:</b>						
Unamortized premium	-	232,455	-	(39,774)	192,681	-
<b>Total Governmental Activities</b>	<u>\$ 40,148,080</u>	<u>\$ 35,930,827</u>	<u>\$ -</u>	<u>\$ (1,479,052)</u>	<u>\$ 34,517,293</u>	<u>\$ 1,503,514</u>
Long-term liabilities due in more than one year					<u>\$ 33,013,779</u>	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ended Aug 31	General Obligation Bonds		Total Requirements
	Principal	Interest	
2014	\$ 1,503,514	\$ 1,306,334	\$ 2,809,848
2015	1,523,418	1,257,534	2,780,952
2016	1,559,734	1,202,233	2,761,967
2017	1,577,322	1,143,245	2,720,567
2018	1,597,034	1,081,490	2,678,524
2019-2023	8,037,204	4,516,052	12,553,256
2024-2028	7,977,542	2,853,652	10,831,194
2029-2033	8,128,089	1,224,070	9,352,159
2034-2036	2,420,755	37,500	2,458,255
	<u>\$ 34,324,612</u>	<u>\$ 14,622,110</u>	<u>\$ 48,946,722</u>

#### D. Interfund Transactions

The interfund balances were as follows:

	Due From Other Funds
General fund	
Special education cooperative	\$ 798,504
Capital projects fund	401,808
Nonmajor governmental funds	826,858
Debt service fund	
General fund	236,964
Total General Fund	<u>\$ 2,264,134</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

#### E. Restatement of Net Position

In fiscal year ending August 31, 2013, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this statement, beginning net position of the governmental activities has been reduced by \$280,065 to remove previously capitalized bond issuance costs.

	Governmental Activities
Prior year ending net position as reported	\$ 9,162,367
Issuance costs	<u>(280,065)</u>
New beginning net position as reported	<u>\$ 8,882,302</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended August 31, 2013

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**C. Pension Plan**

**Teacher Retirement System**

**Plan Description**

The District contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. TRS operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for the TRS. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2013

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4 percent of their annual covered salary and the State of Texas contributes an amount equal to 6.58 percent of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2013, 2012, and 2011 were \$549,174, \$553,146, and \$576,053, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2013, 2012, and 2011 were \$158,234, \$160,862, and \$182,879, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$408,625 during the year.

**D. Retiree Health Care Plan**

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0 percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$8,309, \$19,895, and \$18,670, respectively; the active member contributions were \$55,786, \$56,179, and \$58,507, respectively; and the District's contributions were \$47,203, \$47,536, and \$49,506, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$22,515, \$22,734, and \$20,708, respectively.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended August 31, 2013**

**E. Employee Health Care Coverage**

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2013 and terms of coverage and premiums costs are included in the contractual provisions.

**F. Workers' Compensation Insurance**

During the year ended August 31, 2013, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund ("the Fund"). The District purchased workers' compensation coverage through the Fund, a public entity risk pool ; which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$850,000 for the 2011-2013 fiscal year. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

Members of the Fund have no known premium liabilities for workers' compensation coverage excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover more than 100 percent of all liabilities.

**G. Unemployment Compensation**

During the year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

#### H. Shared Services Arrangements

The District is the fiscal agent in a shared service arrangement (SSA) for the Individuals with Disabilities Education (IDEA), Part B grant. The objective of IDEA, Part B, is to provide grants to assist in providing a free appropriate public education to all children with disabilities. All services are provided by the fiscal agent. The member districts provide funds to the fiscal agent. The member Districts of the SSA include Damon Independent School District, Danbury Independent School District, and Needville Independent School District.

<u>Member Districts</u>	<u>Funds</u>	<u>Expenditures</u>
Hitchcock ISD	313/314/315/437	\$ 723,292
Damon ISD	313/314/437	41,458
Danbury ISD	313/314/437	137,183
Needville ISD	313/314/437	458,875
<b>Total</b>		<b>\$ 1,360,808</b>

The District is the fiscal agent for the Head Start SSA with Texas City Independent School District. The objective of Head Start is to provide low-income, disadvantaged preschool children and their families with tools that will empower them to develop fulfilling, productive, and satisfying lives. All services are provided by the fiscal agent. The member districts provide funds to the fiscal agent.

#### I. Extraordinary Financing Sources

During the fiscal year, the District received extraordinary financing sources from their insurance company in the amount of \$959,620 to rebuild a roof that was damaged during a storm. The money has not been spent and is restricted.

***REQUIRED SUPPLEMENTARY INFORMATION***

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET TO ACTUAL - GENERAL FUND - EXHIBIT G-1

For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Total local and intermediate sources	\$ 5,600,000	\$ 6,279,984	\$ 5,704,188	\$ (575,796)
5800	State program revenues	5,014,614	5,016,352	4,754,230	(262,122)
5900	Federal program revenues	600,000	600,000	173,705	(426,295)
5020	<b>Total Revenues</b>	<b>11,214,614</b>	<b>11,896,336</b>	<b>10,632,123</b>	<b>(1,264,213)</b>
	<b>Expenditures</b>				
	Current:				
0011	Instruction	5,167,985	5,241,893	4,988,308	253,585
0012	Instructional resources				
0012	and media services	161,100	161,100	140,167	20,933
0013	Curriculum and instructional				
0013	staff development	277,220	292,158	236,546	55,612
0023	School leadership	910,250	910,250	824,888	85,362
0031	Guidance, counseling,				
0031	and evaluation services	441,765	447,865	390,116	57,749
0033	Health services	174,850	174,850	154,811	20,039
0034	Student (pupil) transportation	450,000	482,091	477,443	4,648
0035	Food services	20,000	20,000	17,617	2,383
0036	Extracurricular activities	465,213	465,213	385,025	80,188
0041	General administration	802,350	802,350	697,011	105,339
0051	Plant maintenance and operations	1,616,000	2,116,000	1,414,492	701,508
0052	Security and monitoring services	102,750	102,750	96,766	5,984
0053	Data processing services	294,700	294,700	250,121	44,579
0061	Community services	1,500	12,815	4,136	8,679
0071	Debt service principal	87,000	87,000	82,836	4,164
	Intergovernmental:				
0093	Shared service arrangements	484,900	484,900	462,372	22,528
0095	Juvenile justice programs	26,000	26,000	1,630	24,370
0099	Other intergovernmental charges	70,000	70,000	56,532	13,468
6030	<b>Total Expenditures</b>	<b>11,553,583</b>	<b>12,191,935</b>	<b>10,680,817</b>	<b>1,511,118</b>
1100	(Deficiency) of Revenues				
1100	(Under) Expenditures	(338,969)	(295,599)	(48,694)	246,905
	<b>Other Financing Sources (Uses)</b>				
7919	Extraordinary items	-	-	959,620	959,620
7080	<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>959,620</b>	<b>959,620</b>
1200	<b>Net Change in Fund Balance</b>	<b>(338,969)</b>	<b>(295,599)</b>	<b>910,926</b>	<b>1,206,525</b>
0100	Beginning fund balance	3,783,071	3,783,071	3,783,071	-
3000	<b>Ending Fund Balance</b>	<b>\$ 3,444,102</b>	<b>\$ 3,487,472</b>	<b>\$ 4,693,997</b>	<b>\$ 1,206,525</b>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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***OTHER SUPPLEMENTARY  
INFORMATION***

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-1**  
**August 31, 2013**

Data Control Codes		205	206	211	240
		Head Start	ESEA Title X Part C	ESEA Title I Part A	National School Breakfast and Lunch Program
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 8,214	\$ -	\$ -	\$ 144,924
1240	Due from other governments	207,577	4,211	76,338	21,034
1000	<b>Total Assets</b>	<b>\$ 215,791</b>	<b>\$ 4,211</b>	<b>\$ 76,338</b>	<b>\$ 165,958</b>
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ 11,962	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	10,076	-
2170	Due to other funds	203,829	4,211	64,738	33,075
2200	Accrued expenses	-	-	1,524	-
2000	<b>Total Liabilities</b>	<b>215,791</b>	<b>4,211</b>	<b>76,338</b>	<b>33,075</b>
	<b><u>Fund Balances</u></b>				
	<b>Restricted</b>				
3450	Grant funds	-	-	-	132,883
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,883</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 215,791</b>	<b>\$ 4,211</b>	<b>\$ 76,338</b>	<b>\$ 165,958</b>

244	255	263	294	313	314
Career and Technical Basic Grant	Title II Part A	Title III Part A	SSA Head Start	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,805	4,919	345,560	174,351	6,196
<u>\$ -</u>	<u>\$ 13,805</u>	<u>\$ 4,919</u>	<u>\$ 345,560</u>	<u>\$ 174,351</u>	<u>\$ 6,196</u>
\$ -	\$ -	\$ -	\$ 12,429	\$ -	\$ -
-	2,231	-	-	19,225	1,098
-	11,029	4,919	333,131	152,181	4,750
-	545	-	-	2,945	348
<u>-</u>	<u>13,805</u>	<u>4,919</u>	<u>345,560</u>	<u>174,351</u>	<u>6,196</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 13,805</u>	<u>\$ 4,919</u>	<u>\$ 345,560</u>	<u>\$ 174,351</u>	<u>\$ 6,196</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-1**  
**August 31, 2013**

Data Control Codes		404	410	Total Nonmajor Governmental Funds
		Student Success Initiative	Instructional Material	
	<b><u>Assets</u></b>			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 153,138
1240	Due from other governments	-	-	853,991
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 14,995</u>	<u>\$ 1,022,124</u>
	<b><u>Liabilities</u></b>			
2110	Accounts payable	\$ -	\$ -	\$ 24,391
2160	Accrued wages payable	-	-	32,630
2170	Due to other funds	-	14,995	826,858
2200	Accrued expenses	-	-	5,362
2000	<b>Total Liabilities</b>	<u>-</u>	<u>14,995</u>	<u>889,241</u>
	<b><u>Fund Balances</u></b>			
	Restricted			
3450	Grant funds	-	-	132,883
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>132,883</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 14,995</u>	<u>\$ 1,022,124</u>

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2) - EXHIBIT H-2**  
**For the Year Ended August 31, 2013**

Data Control Codes		205	206	211	240
		Head Start	ESEA Title X Part C	ESEA Title I Part A	National School Breakfast and Lunch Program
<u>Revenues</u>					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 85,556
5800	State program revenues	-	-	-	4,619
5900	Federal program revenues	1,511,429	12,997	388,617	807,350
5020	Total Revenues	1,511,429	12,997	388,617	897,525
<u>Expenditures</u>					
Current:					
0011	Instruction	718,888	11,997	323,020	-
0012	Instruction resources				
0012	and media services	-	-	35,657	-
0013	Curriculum and instructional				
0013	staff development	61,526	-	28,053	-
0023	School leadership	232,107	-	-	-
0031	Guidance, counseling and				
0031	evaluation services	14,984	-	-	-
0032	Social work services	94,011	-	-	-
0033	Health services	54,977	-	-	-
0034	Student (pupil) transportation	160,387	1,000	-	-
0035	Food services	14,970	-	-	823,071
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	131,677	-	-	-
0052	Security and monitoring services	3,575	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	24,327	-	1,887	-
0093	Payments to member districts	-	-	-	-
6030	Total Expenditures	1,511,429	12,997	388,617	823,071
1200	Net Change in Fund Balances	-	-	-	74,454
0100	Beginning fund balances	-	-	-	58,429
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 132,883

244	255	263	294	313	314
Career and Technical Basic Grant	Title II Part A	Title III Part A	SSA Head Start	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,761	68,698	7,510	762,998	793,777	28,717
20,761	68,698	7,510	762,998	793,777	28,717
19,631	45,515	4,472	-	409,299	12,815
-	-	-	-	-	-
-	20,043	2,899	-	6,346	145
-	-	-	-	-	-
-	-	139	-	374,253	15,757
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,130	-	-	-	-	-
-	3,140	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,811	-
-	-	-	-	68	-
-	-	-	762,998	-	-
20,761	68,698	7,510	762,998	793,777	28,717
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2) - EXHIBIT H-2**  
**For the Year Ended August 31, 2013**

Data Control Codes		404	410	Total
		Student Success Initiative	Instructional Material	Nonmajor Governmental Funds
<u>Revenues</u>				
5700	Local and intermediate sources	\$ -	\$ -	\$ 85,556
5800	State program revenues	108,465	85,397	198,481
5900	Federal program revenues	-	-	4,402,854
5020	Total Revenues	108,465	85,397	4,686,891
<u>Expenditures</u>				
Current:				
0011	Instruction	34,246	85,397	1,665,280
0012	Instruction resources			
0012	and media services	-	-	35,657
0013	Curriculum and instructional			
0013	staff development	67,515	-	186,527
0023	School leadership	-	-	232,107
0031	Guidance, counseling and			
0031	evaluation services	-	-	405,133
0032	Social work services	-	-	94,011
0033	Health services	-	-	54,977
0034	Student (pupil) transportation	2,110	-	163,497
0035	Food services	-	-	838,041
0036	Extracurricular activities	-	-	1,130
0041	General administration	4,594	-	7,734
0051	Plant maintenance and operations	-	-	131,677
0052	Security and monitoring services	-	-	3,575
0053	Data processing services	-	-	3,811
0061	Community services	-	-	26,282
0093	Payments to member districts	-	-	762,998
6030	Total Expenditures	108,465	85,397	4,612,437
1200	Net Change in Fund Balances	-	-	74,454
0100	Beginning fund balances	-	-	58,429
3000	Ending Fund Balances	\$ -	\$ -	\$ 132,883

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1**  
For the Year Ended August 31, 2013

<u>Last Ten Years</u>	<u>1</u>		<u>2</u>	<u>3</u>		<u>10</u>
	<u>Tax Rates</u>		<u>Debt Service</u>	<u>Net Assessed/ Appraised Value For School Tax Purposes</u>		<u>Beginning Balance 8/31/12</u>
	<u>Maintenance</u>					
2004 and prior	Various		Various	Various	\$	238,131
2005	\$ 1.4833	\$	0.2200	\$ 292,543,602		51,271
2006	\$ 1.5000	\$	0.2680	\$ 346,894,397		51,808
2007	\$ 1.5000	\$	0.2270	\$ 424,800,116		55,087
2008	\$ 1.3701	\$	0.1450	\$ 488,046,352		53,627
2009	\$ 1.0401	\$	0.1750	\$ 529,884,187		82,995
2010	\$ 1.0401	\$	0.3700	\$ 511,710,009		100,676
2011	\$ 1.0401	\$	0.4000	\$ 493,820,200		158,196
2012	\$ 1.0400	\$	0.5000	\$ 473,282,662		295,857
2013	\$ 1.0400	\$	0.5000	\$ 492,474,156		-
<b>1000 Totals</b>					<b>\$</b>	<b>1,087,648</b>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/13
\$ -	\$ 3,747	\$ 649	\$ (29,452)	\$ 204,283
-	949	123	(570)	49,629
-	3,068	437	(580)	47,723
-	6,114	1,029	(755)	47,189
-	5,504	1,958	(836)	45,329
-	11,169	4,296	3,836	71,366
-	17,671	7,816	3,801	78,990
-	38,796	17,160	9,288	111,528
-	106,031	50,976	6,304	145,154
<u>7,584,102</u>	<u>4,917,827</u>	<u>2,364,340</u>	<u>-</u>	<u>301,935</u>
<u>\$ 7,584,102</u>	<u>\$ 5,110,876</u>	<u>\$ 2,448,784</u>	<u>\$ (8,964)</u>	<u>\$ 1,103,126</u>

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2014-2015**  
**GENERAL AND SPECIAL REVENUE FUNDS - EXHIBIT J-2**  
For the Year Ended August 31, 2013

Account Number		(1) 702	(2) 703	(3) 701
		School Board	Tax Collection	Superintendent's Office
611X-6146	Payroll costs	\$ -	\$ -	\$ 184,004
6211	Legal services	15,298	-	-
6212	Audit services	-	-	-
6213	Tax appraisal/collection	-	56,532	-
621X	Other professional services	8,364	2,569	-
6230	Education service centers	-	-	380
6240	Maintenance and repairs	-	-	-
6260	Rentals	-	-	-
6290	Miscellaneous contracts	-	-	-
63XX	Other supplies	582	-	1,460
6410	Travel, subsistence, and stipends	19,228	-	4,867
6490	Miscellaneous operating	7,684	-	1,628
<b>Totals</b>		<b>\$ 52,918</b>	<b>\$ 59,101</b>	<b>\$ 192,339</b>

**Other Information:**

<b>Total expenditures for general and special revenue funds (Exhibit C-3)</b>		(9) \$	15,293,254
<b>Less: deductions of unallowed costs:</b>			
<b>Fiscal Year</b>			
Total capital outlay (6600)	(10)	-	
Total debt and lease (6500)	(11)	1,378	
Plant maintenance (function 51, 6100-6400)	(12)	1,546,169	
Food (function 35, 6341 and 6499)	(13)	855,658	
Stipends (6413)	(14)	-	
Column (4) above - total indirect cost		668,955	
Subtotal			3,072,160
<b>Net Allowable Direct Cost</b>			<b>\$ 12,221,094</b>

(8) Note A: \$254,191 in function 53 expenditures and \$53,206 in function 99 expenditures are included in this report on administrative costs.

(4) 750	(5) 720	(6) (Other)	(7)
Indirect Cost	Direct Cost	Miscellaneous	Total
\$ 521,408	\$ -	\$ 30,128	\$ 735,540
-	-	-	15,298
19,745	-	-	19,745
-	-	-	56,532
11,418	-	-	22,351
22,416	-	-	22,796
22,281	-	-	22,281
21,299	-	-	21,299
4,775	-	-	4,775
24,223	-	-	26,265
8,269	-	-	32,364
13,121	-	-	22,433
<u>\$ 668,955</u>	<u>\$ -</u>	<u>\$ 30,128</u>	<u>\$ 1,003,441</u>

**Cumulative**

Total cost of buildings before depreciation (1520)	(15) \$	48,667,683
Historical cost of buildings over 50 years old	(16) \$	385,576
Amount of federal money in building cost (Net of 16)	(17) \$	-
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18) \$	2,306,105
Historical cost of furniture and equipment over 16 years old	(19) \$	40,300
Amount of federal money in furniture and equipment (Net of 19)	(20) \$	-

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# HITCHCOCK

## INDEPENDENT SCHOOL DISTRICT

### FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)

#### GENERAL FUND - EXHIBIT J-3

August 31, 2013

1. Total general fund balance at year end (Exhibit C-1, object 3000 for the general fund only)	\$ 4,693,997
2. Total non-spendable fund balance at year end (Exhibit C-1, objects 341x-344x for the general fund only)	-
3. Total restricted fund balance (Exhibit C-1, objects 345x-349x for the general fund only)	80,258
4. Total committed fund balance (Exhibit C-1, objects 351x-354x for the general fund only)	-
5. Total assigned fund balance (Exhibit C-1, objects 355x-359x for the general fund only)	-
6. Estimated amount needed to cover fall cash flow deficits in general fund (net of borrowed funds and funds representing deferred revenues)	1,640,892
7. Estimate of two months' average cash disbursements during the fiscal year	1,100,139
8. Estimate of delayed payments from state sources (58XX) including August payment delays	-
9. Estimate of underpayments from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
10. Estimate of delayed payments from federal sources (59XX)	-
11. Estimate of expenditures to be reimbursed to general fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds)	-
12. General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	2,821,289
13. Excess or (deficit) unassigned general fund balance (1-12)	\$ 1,872,708

The excess general fund fund balance will be used to meet future construction commitments.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION FUND - EXHIBIT J-4**

For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b><u>Revenues</u></b>				
5700	Total local and intermediate sources	\$ 92,130	\$ 92,130	\$ 85,556	\$ (6,574)
5800	State program revenues	7,000	4,000	4,619	619
5900	Federal program revenues	745,970	728,931	807,350	78,419
5020	<b>Total Revenues</b>	<b>845,100</b>	<b>825,061</b>	<b>897,525</b>	<b>72,464</b>
	<b><u>Expenditures</u></b>				
	Current:				
0035	Food services	845,100	884,294	823,071	61,223
6030	<b>Total Expenditures</b>	<b>845,100</b>	<b>884,294</b>	<b>823,071</b>	<b>61,223</b>
0100	Beginning fund balance	58,429	58,429	58,429	-
3000	<b>Ending Fund Balance</b>	<b>\$ 58,429</b>	<b>\$ (804)</b>	<b>\$ 132,883</b>	<b>\$ 133,687</b>

Notes to budgetary comparison schedule:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND - EXHIBIT J-5**

For the Year Ended August 31, 2013

<u>Data Control Codes</u>		<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<b><u>Revenues</u></b>			
5700	Total local and intermediate sources	\$ 2,433,500	\$ 2,505,447	\$ 71,947
5900	Federal program revenues	290,000	273,419	(16,581)
5020	<b>Total Revenues</b>	<u>2,723,500</u>	<u>2,778,866</u>	<u>55,366</u>
	<b><u>Expenditures</u></b>			
0071	Principal	1,357,820	1,357,820	-
0072	Interest and fiscal charges	1,365,680	1,353,334	12,346
6030	<b>Total Expenditures</b>	<u>2,723,500</u>	<u>2,711,154</u>	<u>12,346</u>
1200	<b>Net Change in Fund Balance</b>	-	67,712	67,712
0100	<b>Beginning fund balance</b>	<u>1,145,098</u>	<u>1,145,098</u>	-
3000	<b>Ending Fund Balance</b>	<u>\$ 1,145,098</u>	<u>\$ 1,212,810</u>	<u>\$ 67,712</u>

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***FEDERAL AWARDS SECTION***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

January 28, 2014

To the Board of Trustees of the  
Hitchcock Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hitchcock Independent School District (the "District"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BELT HARRIS PECHACEK, LLP**

Belt Harris Pechacek, LLP  
Certified Public Accountants  
Houston, Texas

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

January 28, 2014

To the Board of Trustees of the  
Hitchcock Independent School District:

**Report on Compliance for Each Major Federal Program**

We have audited the Hitchcock Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
Certified Public Accountants  
Houston, Texas

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
**For the Year Ended August 31, 2013**

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2013

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an modified opinion on the financial statements of Hitchcock Independent School District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an modified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

**CFDA Number(s)**  
93.600

**Name of Federal Program or Cluster**  
Head Start

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District did not qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

***Material Weakness:***

***Significant Deficiencies:***

**2013-1. CLOSING PROCESS**

**Condition**

It does not appear the District is reconciling various general ledger accounts to related support during the year end closing process for special revenue funds.

**Effect**

Lack of proper closing procedures led to various general ledger accounts being misstated for the special revenue funds.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2013**

**Cause**

A formal closing policy is not in place.

**Criteria**

According to Texas Education Agency's *Financial Accountability System, Resource Guide*, procedures and policies should be in place to ensure that accounts are closed, adjusted, and reviewed on a timely basis.

**Recommendation**

The District should develop a formal closing process, including reviewing supporting documentation, to determine the accuracy of general ledger accounts for special revenue funds.

**C. FINDINGS – FEDERAL AWARDS**

None noted

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1**  
For the Year Ended August 31, 2013

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education			
ESEA Title I, Part A*	84.010	13610101084908	\$ 388,617
IDEA B, Formula*	84.027	136600010849086600	793,777
Carl Perkins, Basic Grant	84.048	13420006084908	20,761
IDEA B, Preschool*	84.173	136610010849086610	28,717
Title X, Part C	84.196	084908	12,997
Title III, English Language	84.365	13671001170904	7,510
Title II, Part A	84.367	13694501084908	68,698
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,321,077</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education			
School Breakfast Programs*	10.553	71401001	249,929
National School Lunch*	10.555	71301001	521,492
USDA Commodities	10.565	084908	35,929
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>807,350</b>
<b>U.S. DEPARTMENT OF HEALTH</b>			
Head Start*	93.600	084908	2,274,427
<b>TOTAL U.S. DEPARTMENT OF HEALTH</b>			<b>2,274,427</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,402,854</b>
Federal revenue per SEFA			\$ 4,402,854
Indirect Costs			54,234
SHARS			131,105
E-RATE			433,508
Reimbursement for debt service			273,419
C-2 Federal Revenue			<b>\$ 5,295,120</b>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***  
**For the Year Ended August 31, 2013**

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hitchcock Independent School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**HITCHCOCK**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED RESPONSES TO**  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1**  
**For the Year Ended August 31, 2013**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - Was there an modified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the annual financial report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ <u>          -</u>

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