

Tupelo Public School District
Proposal for Professional Auditing Services
Technical Proposal

WATKINS, WARD and STAFFORD, PLLC
Tupelo Public School District
Proposal for Professional Auditing Services
May 18, 2016

TECHNICAL PROPOSAL

1. Qualifications of the Auditors

- a. License to Practice in Mississippi
All certified public accountants associated with our firm are licensed to practice in the State of Mississippi and are members of the Mississippi Society of Certified Public Accountants and the American Institute of Certified Public Accountants.
- b. Independence
Watkins, Ward and Stafford, PLLC meets the independence requirements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, 1988 revision, published by the U.S. General Accounting Office.

2. Firm Qualifications and Experience

Watkins, Ward and Stafford, PLLC is a full-service CPA firm with fifteen offices in Northeast and Central Mississippi. We have a staff of approximately 125 people, 40 of whom are qualified to perform governmental audits. Our Okolona office, with additional staff from our Oxford, Starkville and West Point offices, will be assigned to your engagement. The qualifications and experience of these staff members is listed below.

Our firm is a member of the American Institute of Certified Public Accountants' Division of Firms Private Company's Practice Section. WWS is also honored to be a member of the AICPA's Group of 400 which enhances our services to our clients through our increased direct communication and collaboration with the accounting industry leaders. We are subjected to an external Quality Control Review every three years, the latest of which was during October, 2014. A copy of our latest peer review letter is included with this proposal.

Watkins, Ward and Stafford, PLLC has had no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Professional Liability Insurance:

Watkins, Ward and Stafford, PLLC takes the position, for a variety of reasons, that self-insuring is the appropriate method to manage the Firm's professional liability risk.

The financial position of our 67-year old firm is stable and sound. We believe our reserves are adequate to cover our exposure related to professional liability risk.

Periodically, firm management reviews and analyzes operations regarding all of the Firm's liability risk exposure.

3. Partner, Supervisor and Staff Qualifications and Experience

As members of the American Institute of Certified Public Accountants' Division of Firms Private Company's Practice Section, all of our professional staff are required to obtain

40 hours of continuing education annually. Additionally, all professional staff performing audits of governmental entities are required to obtain a minimum of 24 hours of continuing education in governmental accounting and auditing every two years and each auditor involved in Yellow Book audits must complete 80 hours of continuing education every two years that directly enhance the auditor's professional proficiency to perform audits and/or attestation engagements. It is the policy of the firm to assign the same staff to clients on a continuous basis. These individuals are assigned based upon experience and expertise from previous engagements. Additionally, our firm assigns an engagement quality control review partner to insure that the highest level of quality was achieved in the performance of the audit work and preparation of the audit report. In the event that personnel initially assigned to the engagement should leave the firm or assume other responsibilities within the firm, the size of our staff will allow replacement without any loss of quality or experience. Therefore, the quality of staff over the term of the agreement will be assured.

Harry W. Stevens, CPA, Review Partner

Mr. Stevens is a graduate of Mississippi State University (1966). He has fifty years of experience in auditing Federal programs, local and county governments, non-profit organizations, municipal and county school districts, public utilities and commercial entities. He will serve as the audit review partner. Mr. Stevens is in compliance with the AICPA and Yellow Book continuing education requirements.

J. Randy Scribner, CPA, Engagement Quality Control Review Partner

Mr. Scribner is a graduate of Delta State University (1986). He has thirty years of experience in auditing Federal programs, local and county governments, non-profit organizations, municipal and county school districts, public utilities and commercial entities. He will serve as the consulting partner relating to the school district. Mr. Scribner is in compliance with the AICPA and Yellow Book continuing education requirements.

Wanda S. Ellis, CPA, CGMA, Manager

Mrs. Ellis is a graduate of Mississippi State University (1983). She has thirty-three years of experience in auditing Federal programs, local and county governments, non-profit organizations, municipal and county school districts, public utilities, community colleges, hospitals and nursing homes, banking institutions and commercial entities. She will serve as the auditor in charge of the engagement. Mrs. Ellis is in compliance with the AICPA and Yellow Book continuing education requirements.

Michael C. Knox, CPA, Supervisor

Mr. Knox is a graduate of the University of Mississippi (1998). He has eighteen years of experience in auditing Federal programs, local governments, municipal and county school districts, public utilities, community colleges, hospitals and nursing homes, and banking institutions. Mr. Knox is in compliance with the AICPA and Yellow Book continuing education requirements.

David M. Wise, CPA, Senior Accountant

Mr. Wise is a graduate of Mississippi State University (2012) and has both an undergraduate and master's degree from this university. He has four years of experience in auditing Federal programs, local governments, municipal and county school districts, public utilities and community colleges. Mr. Wise is in compliance with the AICPA and Yellow Book continuing education requirements.

Other staff will be assigned as deemed necessary.

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. As part of our engagement, we will apply certain limited procedures to the Tupelo Public School District's RSI in accordance with auditing standards generally accepted in the United States of America.

We will audit the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Tupelo Public School District as of and for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the Tupelo Public School District's basic financial statements.

5 Understanding and Approach of Work to be Performed

The counties, all schools, community colleges and many of the other government entities had Single Audits during the last five years.

During the past five years, our firm has served as auditors for three counties, 12 municipalities, 17 public utilities, two community colleges, 13 hospital and nursing homes, and 44 other government entities, most of which are public schools. In addition, we prepare GASB 34 conversions for various other counties, school districts, municipalities and other government entities.

5. Similar Engagements with Other Government Entities

Alcorn County School District	Monroe County School District
Kemper County School District	Okolona Municipal Separate School District
Lafayette County School District	Oxford School District
Lee County School District	Starkville School District
Neshoba County School District	Neshoba County School District
Winona School District	Philadelphia School District
Amory School District	Montgomery County School District
Louisville School District	Houston School District
Leake County School District	Okitbeha County School District
Leflore County School District	Noxubee County School District
Scott County School District	Tate County School District
Webster County School District	West Point School District
Forest County School District	Chickasaw County School District
Clay County School District	Attala County School District
Holly Springs School District	Choctaw County School District
Lowndes County School District	Lauderdale County School District
Senatobia School District	Yalobusha County School District
South Panola County Schools	Marshall County School District
New Albany School District	North Panola County Schools
Pontotoc City School District	Newton County School
Madison County School District	Booneville School District

4. Prior Engagements with school districts
Our firm has served as auditors for the following school districts in Mississippi:

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and would include tests of accounting records, a determination of major programs in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

The reports on internal control and compliance will include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

- Compliance with state laws and regulations.

Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133's *Audits of States, Local Governments, and Non-Profit Organizations*.

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contract or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The objective of our audit will be the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to above, when considered in relation to the financial statements taken as a whole. The objective will also include reporting on-

Audit Objectives

1. Schedule of Expenditures of Federal Awards

Supplementary information, other than RSI, such as combining and individual fund financial statements, will also accompany the Tupelo Public School District's financial statements. We will subject the following supplementary information to the auditing procedures applied to our audit of the basic financial statements:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about

Audit Procedures—General

Management will be responsible for establishment and maintenance of a process for tracing the status of audit findings and recommendations. Management will also be responsible for identifying for us previous audits of other engagements or studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing of these corrective actions.

You will be responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. You will also be responsible for informing us of your knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you will be responsible for identifying and ensuring that the entity complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report. Additionally, as required by OMB Circular A-133, management will be responsible for following up and taking corrective action on reported audit findings and preparing a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings will be available for our review before the fieldwork for the audit begins.

Management will be responsible for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities will include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management Responsibilities
Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tupelo Public School District and the respective changes in the financial position and, where applicable, cash flows in conformity with accounting principles generally accepted in the United States of America; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the financial statements and all accompanying information as well as all representations contained therein.

the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designated to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements of major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

We will include such matters in the reports required for a Single Audit, if applicable. Our responsibility as auditors is limited to the periods covered by our audit and does not extend to any later periods for which we are not engaged as auditors. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Test of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that is material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Tupelo Public School District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Tupelo Public School District's major programs.

The purpose of those procedures would be to express an opinion on the Tupelo Public School District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Tupelo Public School District

Proposal for Professional Auditing Services

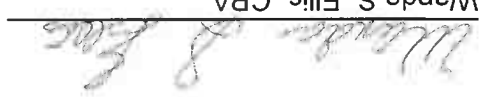
Price Proposal

**Tupelo Public School District
Price Proposal for Professional Auditing Services**

Watkins, Ward and Stafford, PLLC is pleased to present the following proposal for Professional Auditing Services to the Tupelo Public School District. We will audit the financial statements of the Tupelo Public School District for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018, as detailed in our technical proposal.

Wanda S. Ellis, CPA will represent Watkins, Ward and Stafford, PLLC and is empowered by firm management to submit the proposal and authorized to sign a contract with the School District.

The total price for this engagement will not exceed \$24,800 per year, including all direct and indirect costs, all out-of-pocket expenses and the preparation of the Form 990. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances would not be encountered during the audit. If it is determined that additional services, outside of the scope of this audit, are required, these services will be provided at a cost not to exceed \$90 per hour. Any additional services will be discussed with the management of the Tupelo Public School District prior to any work being performed.


Wanda S. Ellis, CPA



HENDERSON HUTCHENSON
& MCCULLOUGH, PLLC

Certified Public Accountants

System Review Report

September 11, 2014

To the Owners of
Watkins, Ward and Stafford, PLLC
and to the Peer Review Committee of
the Mississippi Society of Certified Public
Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Watkins, Ward and Stafford, PLLC (the firm) in effect for the year ended April 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered review by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/pssummary.

As required by the standards, engagements selected for review included (engagements performed under *Government Auditing Standards*; and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Watkins, Ward and Stafford, PLLC in effect for the year ended April 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency (ies), or fail. Watkins, Ward and Stafford, PLLC has received a peer review rating of pass.

HENDERSON HUTCHENSON
& MCCULLOUGH, PLLC



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

327 W. Main St.
 P.O. Box 268 Okolona, MS 38860
 Phone (662) 447-3200
 Fax (662) 447-3362

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Staggers, CPA
 Michael W. McCully, CPA
 Mori Stroud, CPA
 R. Steve Sinclair, CPA
 Anita L. Goodrum, CPA
 Thomas A. Davis, CPA
 John N. Russell, CPA
 Stephen D. Flake, CPA
 Thomas J. Browder, CPA
 Susan M. Lummus, CPA
 Kimberly S. Caskey, CPA
 J. Randy Scrivner, CPA
 Robin V. McCormick, CPA/PFS
 Wanda S. Holley, CPA
 Marshe L. McDonald, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA
 Perry C. Rackley, Jr., CPA

June 3, 2016

Mrs. Rachel S. Murphree
 Tupelo Public School District
 72 South Green Street
 Tupelo, MS 38804

Dear Mrs. Murphree,

You asked if our firm has errors and omissions insurance. You also requested a claims history for the past five years.

Watkins, Ward and Stafford, PLLC takes the position, for a variety of reasons, that self-insuring is the appropriate method to manage the Firm's professional liability risk. The financial position of our 67-year old firm is stable and we believe our reserves are adequate to cover our exposure related to professional liability risks. Periodically, firm management reviews and analyzes operations regarding all of the Firm's liability risk exposure.

Our Firm adds a level of assurance that few firms offer, which aids in mitigation of the risk of exposure. In addition to a partner review of all workpapers and reports, all of our audits undergo a Quality Control Review performed by a partner from an office separate from the office performing the audit and the partner reviewing the audit.

Watkins, Ward and Stafford, PLLC has had no claims regarding errors and omissions in the past five years. In fact, there have been no claims, of any kind, against WWS in over thirty years.

We appreciate your consideration of our firm to perform your audits for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018 and sincerely hope that we get the opportunity to work with you.

If you need any additional information, please don't hesitate to contact me.

Sincerely,

Wanda S. Ellis

Wanda S. Ellis, CPA