

Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd. Suite 102
Corpus Christi, Texas 78411
Office (361)980-0428 Fax (361)980-1002

July 23, 2019

To the Board of Directors

South Texas Educational Technologies, Inc.

Weslaco, Texas

We are pleased to confirm our understanding of the services we are to provide for South Texas Educational Technologies, Inc. for the year ended August 31, 2019.

We will audit the financial statements of South Texas Educational Technologies, Inc., which comprise the statement of financial position as of August 31, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

1) Schedule of expenditures of federal awards.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

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 and by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and will include tests of accounting records, a determination of major program(s) in accordance Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will 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 opinions, we may decline to express opinions or to issue a report as a result of this engagement. The audit will also be conducted in accordance with generally accepted government auditing standards contained in the Texas Education Agency Financial Accountability System Resource Guide.

The organization-wide audit will encompass the financial statements as required by the Texas Education Agency Financial Accountability System Resource Guide for the South Texas Educational Technologies, Inc. for the fiscal year ending August 31, 2019. The audit will include the performance of certain audit procedures for the purpose of reviewing the accuracy of fiscal information provided by the South Texas Educational Technologies, Inc. through the Public Education Information Management System (PEIMS), as required by Section 44.008(b) of the Texas Education Code. If our opinions on the financial statements are other than unqualified, 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 opinions, we may decline to express opinions or to issue a report as a result of this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Non-Audit Services

We will assist you in preparing the financial statement that TEA requires for the fiscal year 2019, including the Electronic Annual Financial Report (AFR pdf file). We will also assist you in preparing statements or reports that are primarily the responsibility of the South Texas Educational Technologies, Inc. administrators, such as the letter of transmittal, if required. While these reports are not covered in audited information, we are required to review them for consistency with the statements we audit and reasonableness of claims.

You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Professional standards promulgated by the American Institute of Certified Public Accountants (AICPA), and other require that auditors be independent of the clients for whom they perform attest services and that they document their independence. These standards apply to the services we will be providing South Texas Educational Technologies, Inc. They may restrict some of the non-audit services we can do for you (such as your bookkeeping), but they allow us to provide numerous other services as long as you agree to perform the following services:

- Make all management decisions and perform all management functions;
- Designate an individual (preferably in senior management) who possesses suitable skill, knowledge, and/or experience to oversee the preparation of suggested adjustments and the draft of financial statements, and to oversee the filing of statements with appropriate regulatory or funding agencies;
- Evaluate the adequacy and results of the services performed by us;

- Accept responsibility for:
 - The South Texas Educational Technologies, Inc. accounting and information systems;
 - Adjustments we have suggested and you have approved;
 - The financial statements and other reports we have helped you prepare and you have approved, such as the audit data feed;
 - The submission of those financial statements and report to TEA and other appropriate oversight or granting agencies;
 - Establish and maintain internal controls over the budgeting and bookkeeping process and over the data and report submission processes required by TEA, the Office of Management and Budget, and others.

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 South Texas Educational Technologies, Inc. and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

We will prepare the trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information into a working trial balance based on management's chart of accounts.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements, and related notes to the financial statements. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying 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 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.

You are 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 organization

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.

Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. 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 and format related thereto.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written 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.

You are 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 affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review soon after you approve our engagement letter.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of

expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, 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, for the report, and for the timing and format for providing that information.

Audit Procedures—General

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 the number of transactions to be examined and the areas to be tested. 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 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 of the inherent limitations of an audit, combined with the inherent limitations of internal control, 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, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. 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 or major programs. However, we will inform the appropriate level of management of any

material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period 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, funding sources, 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 require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

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. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are 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 issued pursuant to *Government Auditing Standards*.

As required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 each 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. 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 AICPA professional standards, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of South Texas Educational Technologies, Inc. compliance with provisions of applicable laws, regulations, 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*.

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 tests of transactions and other applicable procedures described in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the types of compliance requirements that could have a direct and material effect on each of South Texas Educational Technologies, Inc. major programs. The purpose of

these procedures will be to express an opinion on South Texas Educational Technologies, Inc. compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* .

Audit Approach

Our approach to client service is to recognize each client's unique and specific needs within the scope of our engagement, match those needs with our strongest resources, and deliver our services in a timely and responsive manner.

The audit approach used will consider the South Texas Educational Technologies, Inc. unique accounting system and reporting requirements. Our approach is directed toward constant inter-action and communication between the South Texas Educational Technologies, Inc. personnel and Raul Hernandez & Company, P.C.

Planning Phase-Estimated Hours 40 - Staff: 2 CPA's- Raul & Amy, 1 Professional Staff-Rudy (Multi-year)

We consider the planning phase to be critical for engagements of this scope and complexity. Careful planning helps ensure a successful engagement - from your viewpoint and ours. The following outlines the more significant elements of this phase:

Develop an in-depth understanding of the South Texas Educational Technologies, Inc. operations through meetings with key management members and review of internal reports, financial statements, budgets and minutes.

Identify major audit areas, based on an analytical review of the information obtained from the previous steps.

Develop an understanding of the South Texas Educational Technologies, Inc. internal controls and accounting system, particularly in the major audit areas. This will be accomplished through discussion with accounting personnel. Identify internal control strengths and weaknesses, which have a bearing on audit objectives in the major audit areas.

Perform analytical reviews (such as prior year comparisons, inquires of budget variances and financial and non financial data) of interim financial information to highlight those areas, which should be reviewed at an early date to avoid any last minute questions of an accounting or reporting nature. Determine audit sample size that is representative depending on auditor's professional judgment using PPC Thomson random number generator software. (Extent of South Texas Educational Technologies, Inc. EDP software is expected to be moderate). The audit approach in determining which laws and regulations will be performed to determine if the South Texas Educational Technologies, Inc. has complied with laws and regulations, contracts, and grant agreements that may have a direct and material effect on each major federal award program. Audit samples will be selected in accordance with OMB Circular 133 at section 125 and will be based on the auditor's professional judgment and consideration of certain audit risks.

Develop a tailored audit program for the South Texas Educational Technologies, Inc. which is responsive to the major audit areas that reflects our evaluation of the internal controls in those areas and the results of our analytical review.

Finalize with South Texas Educational Technologies, Inc. personnel a schedule for completion of the audit based on the required filing deadlines.

Our audit plan will be structured to minimize disruptions to South Texas Educational Technologies, Inc. With your consent we will contact your prior year auditor and review his working papers which will allow for a smooth and efficient audit and will help to minimize duplication of effort and to further develop our understanding of South Texas Educational Technologies, Inc. operations and accounting system. We

would plan to accomplish this review as soon as possible after appointment, as this data collection effort is most efficiently performed, and is most cost-effective, when it is completed during the transition phase. We have not identified any anticipated potential audit problems that may require assistance from the South Texas Educational Technologies, Inc.

Interim Phase-Estimated Hours 30 - Staff: 2 CPA's-Raul and Amy, 1 Professional Staff-Rudy (multi-year)

During this phase, we will begin to implement the audit plan developed during the planning phase. Our personnel will perform appropriate substantive audit procedures, such as balancing of detail records and mailing of confirmations. In addition, we will perform compliance tests on South Texas Educational Technologies, Inc. policies and procedures identified in the planning phase.

Final Phase-Estimated Hours 30 - Staff: 2 CPA's-Raul and Amy, 1 Professional Staff-Rudy (multi-year).

During the final phase, we will perform such additional test and account analyses as are necessary to formulate an opinion on the financial statements of South Texas Educational Technologies, Inc. In addition to rendering an opinion on the organization-wide financial statements, we will provide a letter to the Administration on internal control and accounting procedures, identifying areas in South Texas Educational Technologies, Inc. system of internal control which would appear to need strengthening. Any material weaknesses will be brought to the attention of the Administration immediately.

We will be available to meet with the Administration at their request during the course of the audit and throughout the year. These meetings are beneficial in fulfilling our responsibilities and giving us insight as to any South Texas Educational Technologies, Inc. concerns.

Raul Hernandez, CPA accepts responsibility for ensuring that the audit is conducted by personnel who collectively have the necessary skills, that independence is maintained, that applicable standards are followed in conducting the audit, that the firm has an appropriate internal quality system in place, and maintains participation in an external quality control review program. Raul Hernandez is enrolled in the American Institute of Certified Public Accountant's external review program. These programs require an external quality control review every three years. The firm's internal quality control systems include the requirement that all staff receives a minimum of 20 hours per year and a total of 120 hours over a three-year period of continuing professional education. Additionally, all staff responsible for planning, directing or conducting substantial portions of a governmental audit will be required to have minimum of 24 hours every two years of continuing education directly related to governmental auditing. We confirm that Raul Hernandez & Company, P.C. is independent with respect to South Texas Educational Technologies, Inc. No one in the firm has any direct or indirect financial interest in South Texas Educational Technologies, Inc. contracts and no one assigned to the audit is related within a prohibited degree (as defined by nepotism law) to any employee of South Texas Educational Technologies, Inc. or to any of the members of the board of trustees. Our firm is not under the terms of any reprimands either public or private by the Texas State Board of Public Accountancy or any other licensing Boards.

Our professional fees are based upon our regular rates (commensurate with the level of experience of the personnel assigned to the engagement) for the services provided as applied to the actual time spent on the engagement. We will appreciate the assistance of South Texas Educational Technologies, Inc. personnel, as our approach is designed to utilize to the extent possible internally prepared reports, account analyses and other pertinent schedules prepared by your personnel. To the extent we can maximize the effectiveness of this approach; we can in turn minimize the charges on this engagement. Based upon our experience and knowledge of federal and AICPA requirements and standards, and our understanding of your operations, the audit should take approximately 100 hours.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Raul Hernandez & Company, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to Grantor Agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Raul Hernandez & Company, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the any grantor agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fee estimate for these services will be at our standard hourly rates including out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. We estimate that our fees for these services will not exceed \$12,300 for the audit. You will not be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as follows: as part of our engagement a \$3,300 payment is required as a retainer and due upon the signing of this engagement letter and the balance will be due immediately upon the submission of the audit report in PDF format to the Texas Education Agency and an electronic confirmation can be obtained (TEASE account confirmation).

Our invoices for these fees will be rendered periodically as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 5 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended.

The audit fee is premised on the following assumptions:

South Texas Educational Technologies, Inc. will have available those individuals necessary to answer questions that will arise during the course of the work.

South Texas Educational Technologies, Inc. has maintained its system of internal accounting controls.

South Texas Educational Technologies, Inc. will prepare schedules and provide assistance to enable us to efficiently and successfully complete the engagement.

No significant unanticipated accounting or auditing problems or changes will arise prior to our conducting this audit.

Therefore in the event the aforementioned matters are substantially altered or other unusual circumstances or problems arise during the audit, we will first discuss the situation with you before proceeding, and any necessary revisions to the audit plan or fee will be mutually agreed to.

Our professional fees are based upon our regular rates (commensurate with the level of experience of the personnel assigned to the engagement) for the services provided as applied to the actual time spent on the engagement. We will appreciate the assistance of South Texas Educational Technologies, Inc. personnel, as our approach is designed to utilize to the extent possible internally prepared reports, account analyses and other pertinent schedules prepared by your personnel. To the extent we can maximize the effectiveness of this approach; we can in turn minimize the charges on this engagement.

We appreciate the opportunity to be of service to South Texas Educational Technologies, Inc. and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Raul Hernandez & Company, P.C.

RESPONSE: This letter correctly sets forth the understanding of South Texas Educational Technologies, Inc.

Governance signature: _____

Title: _____

Date: _____